

EUROPEAN NEWS

Bonn soothes fears on French defence link

BY DAVID MARSH IN BONN

THE Franco-German Defence Council due to be constituted in Paris today could provide a means for France to move back towards Nato's integrated command structure which it left in 1966...

neutral drift in the Federal Republic. Such concerns are roundly rejected by ministers and officials here. Referring to the recurrent French fear that West Germany might one day swap its place in the Western Alliance for re-unification with East Germany...

A senior Defence Ministry official said yesterday that the link was "neither an axis nor a directorate". It was also not exclusive, as other Nato countries such as the Benelux states - were welcome to join.

how the brigade could develop. Mr Manfred Woerner, the Defence Minister, underlines that West Germany's complement of 2,000 men for the brigade will be drawn from its territorial army, which is not part of the Nato military command.

Officials and minister talk about future expansion of the brigade to division level. But, even manpower pressure in the West German army, significant enlargement in the future could eventually cause a conflict of interests with other Nato partners.

Dutch trim discount rate to 3.25%

By Laura Hunt in Amsterdam

THE Dutch discount rate was trimmed by 0.25 per cent yesterday, the fifth such cut in three months since one which leaves the key rate at its lowest level in 10 years.

French politicians divided over poor trade performance

BY GEORGE ORSHAN IN PARIS

FRANCE'S growing trade deficit, especially the deepening deficit in industrial goods, has sparked a debate between the government and the socialist opposition, and threatens to raise differences within the right itself.

officials wonder if the obsession is misplaced. "The real problem is the competitiveness of our companies, which is not necessarily a problem of physical investment. It is also a problem of where your overseas offices are and of your total costs at home - which relates more to wage costs than to capital investment," commented one senior official.

Bonn-Paris defence link opposed

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE Netherlands opposes the creation of a Franco-German Defence Council because it would duplicate existing western defence institutions. Dr W F Eekelen, the Dutch Defence Minister said in an address to the Royal Institute of International Affairs in London yesterday.

to be the only appropriate forum for such a task. Dr van Eekelen advocated a two-track approach to achieve defence military stability in Europe following the signature of the Intermediate Nuclear Forces (INF) treaty, under which all ground-based medium-range nuclear missiles will be eliminated by the US and the Soviet Union.

OBITUARY Innovative devotee of winemaking

BARON Philippe de Rothschild, who died on Wednesday aged 88, was a leading figure in the famous Anglo-French banking family who devoted his life to developing the Mouton Rothschild vineyard in the Medoc region of Bordeaux.



Baron Philippe: tireless work to improve his vineyard

were vast. He wrote poetry, produced plays and made France's first talking movie, "Le Lac aux Dames" in 1933.

class as a "second growth" in the right hierarchy of Bordeaux wines dating from 1855. But his efforts were rewarded when it was elevated to top-class "first growth" status.

EC aims to reduce tar in cigarettes

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission yesterday announced proposals to oblige tobacco companies to limit the amount of tar in cigarettes.

campaign against smoking. Mr Marin is preparing proposals for increasing taxes on tobacco and limiting the free sale of tobacco in the EC, as well as a series of publicity measures.

Austrian bank chairman quits

BY JUDY DEMPSEY IN VIENNA

MR HANNES Androsch, chairman of Creditanstalt-Bankverein, Austria's largest bank, has resigned following a court decision which found him guilty of perjury on Wednesday.

Mr Androsch was fined Sch.1.08m (\$923,868) for lying to a parliamentary committee in 1981 which had been set up to investigate allegations of corruption and other financial irregularities.

Mr Androsch - who undoubtedly helped Mr Vranitzky's political career in the past - became chairman of Creditanstalt after he fell out with Bruno Kreisky, the former socialist coalition government and a close friend of Mr Androsch, said: "In my opinion, the right way is for Mr Bock and Mr Androsch to work out how to create as few frictions as possible in the transition to a parliamentary system."

Chernobyl 'did not raise radiation risk'

By George Orshan in Paris

THE CHERNOBYL nuclear power plant disaster has caused no noticeable increase in radiation risks in Western countries, according to the nuclear energy agency of the Paris-based Organisation for Economic Co-operation and Development (OECD).

Jaruzelski seeks party backing on price rises

BY CHRISTOPHER BOURN IN WARSAW

GENERAL Wojciech Jaruzelski, the Polish leader, has appealed to party members in parliament to support the government on price rises due next month.

Call to UN on arms cuts

BY SARA WEISS IN STOCKHOLM

SIX nations which have been campaigning jointly for nuclear disarmament called yesterday for a new multi-lateral verification system under the UN to monitor arms reduction.

Call to free Hungary's Greens

BY LESLIE COLLITT IN BERLIN

HUNGARIAN legal experts and officials are calling for the legalisation of the country's growing green movement - one of the biggest in Eastern Europe along with those in Poland and East Germany.

action against it. The Circle opposed the construction of a joint Hungarian-Czechoslovak dam on the Danube which it said was a threat to Hungary's main source of drinking water.

had an "independent political programme" nor their own ideology. Thus there was no reason to fear that the groups were the "seed" of a Hungarian Greens Party, he suggested.

Gloomy West struggles to make the CSCE baskets balance

Judy Dempsey assesses progress, and lack of it, as the security conference resumes

THE 36 PARTICIPATING countries at the Vienna follow-up meeting of the Conference on Security and Co-operation in Europe (CSCE) return from the Christmas recess today torn between optimism on arms talks and deep pessimism on humanitarian issues.

balanced outcome to all three baskets. Basket One consists of confidence and security building measures. Basket Two focuses on closer economic links between East and West, while Basket Three encompasses humanitarian issues.

The meetings, known as the "conventional stability talks" have been working through a draft paper drawn up by Nato last July. In December, the objectives and methods of a new forum were agreed in principle by both sides. The pact is now on for reducing conventional arms, a Western diplomat said.

here, a US diplomat argued. "We see and hear very little of it in Vienna. For all the openness in the Soviet Union, none of it has yet filtered down to Basket Three."

substantial concessions on humanitarian issues. We will not sign any concluding document until we get a balanced outcome in all the three baskets.

instance, insist that all Non-Governmental Organizations (NGOs) be allowed into Moscow for holding such a conference. But they also insist that the meeting be held in a neutral country and that it be open to all.

Airbus Industrie wants A-320 assembly in US

BY SARA WEISS IN STOCKHOLM

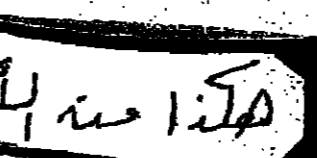
AIRBUS INDUSTRIE, the European consortium of aircraft manufacturers, is seeking to set up an assembly line in the US, a senior executive said yesterday.

Ex-envoy critic of Romania vanishes

BY SARA WEISS IN STOCKHOLM

Western diplomats in Bucharest said yesterday they had not seen the ex-Romanian ambassador to the US who criticised the Communist leadership, since before Christmas, AP reports from Vienna.

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Amal lift siege of Palestinian refugee camps

BY NORA BOUSTANY IN BEIRUT

PALESTINIANS rushed out to seek long-lost kinsmen and friends, others thronged to the edges of their camps looking warily out at a world which must by now seem terribly unfamiliar.

The three-year siege of Palestinian refugee camps in Beirut is over, and the guerrillas inside will have to adjust to a disorienting peace.

Stone-throwing youngsters in the Israeli-occupied West Bank and Gaza and a spreading popular revolt against Israeli authorities have shamed the Syrian-backed Shi'ite Amal militia and its local supporters this week into lifting for good their blockade around the camps.

Steel-helmeted Syrian soldiers were deployed around the shanty towns of Bourj Barajneh and Chatila yesterday after Amal fighters and their co-religionist soldiers of the Lebanese Army Sixth Brigade finally abandoned battle positions that had pinned residents and guerrillas inside the remains of their squalid dwellings since the spring of 1985.

Though the intensity of Shi'ite-Palestinian battles has subsided in the last year, condi-

tions of the siege had driven young men to self-depression and desperate games of Russian Roulette, according to camp doctors and foreign medical assistants.

Since 1985, battles have raged on and off, destroying most of the fallen rows of breeze-block houses and makeshift shacks. Camp residents starved and huddled in damp underground hideouts.

Some 3,000 Palestinians and Lebanese died in the conflict. In spring of last year, the siege was partially lifted, allowing for food to come in. Women were allowed outside to get provisions, while the men were blocked inside.

Hassan Abu Taka, 44, a worker at Haifa Hospital in the sprawling camp of Bourj Barajneh, said he ventured out for the first time in two years yesterday, to see an old friend and visit his 60-year-old brother.

Ahmed Aishi, 22, said he could hardly sleep on hearing the roads were open. "All the shebab (young men) streamed out of the camp this morning towards the main roads in the southern suburbs. When I came back, I was dancing with joy."

Chinese release Tibetan protesters

By Robert Thomson in Peking

CHINESE police yesterday released 59 people detained after pro-independence protests late last year in the Tibetan capital, Lhasa, in a conciliatory move coinciding with a rare visit by the Peking-approved Dalai Lama, the second-ranking Tibetan religious leader.

The prisoners had been detained without charge since the protests in late September and early October, and a statement released from Lhasa yesterday implied that another 10 Tibetans still in custody have also not been charged.

Xinhua, the official Chinese news agency, reported that those released yesterday "had shown repentance and some have expressed others over the past three months". The report maintained the official line of blaming the protests on "speculators inspired by the Dalai Lama clique".

According to Xinhua, three released Tibetans spoke at a meeting of monks from the Drepung, Sera and Jokhang monasteries yesterday and one declared he had "committed the unforgivable crime of trying to disrupt China's unification in the riot, which brought heavy property losses to the state and people".

Andrew Whitley reports on a moody conflict uniting Palestinians of all backgrounds

Israel enters uncharted fighting territories

NEARLY SEVEN weeks into the most serious disturbances Israel has faced in the territories it captured in 1967, the security forces have run the gamut of the finely honed carrot-and-stick techniques used in the past to maintain control over the subject Arab population, all to little avail this time round.

Israel leaders yesterday delivered stern warnings to the country's minority Arab population against becoming involved in the continuing disturbances in the occupied territories, Andrew Whitley reports.

Representatives of the 650,000 Arabs living within the pre-1967 "green line" borders, plan to hold a mass demonstration in Nazareth,

an Arab majority town, tomorrow. They have also threatened to hold a second one-day strike, similar to a successful stoppage last month.

On Wednesday night, a Molotov cocktail was thrown at an Israeli bus filled with schoolchildren travelling along the Wadi Ara road in North Israel. Stones were thrown at other buses.

among Palestinians of all backgrounds in the occupied territories. Middle class factory owners openly sympathise with the tactics of the refugee camp children. Bank managers who have worked within the Israeli system all their professional lives say the violent suppression of the disturbances cannot continue.

Apart from the commercial strikes, the best expression of this across-the-board solidarity has been the emergence of a wide range of mutual support bodies - from neighbourhood watchdog committees in the camps to philanthropic groups lending money and providing food to those facing hardship because of the work stoppage.

In Nabulis and Ramallah, in the West Bank, metalworkers' associations are lending their services free to those whose homes and shops have been broken into by soldiers. Meanwhile, Druze from the Israeli-annexed Golan - a minority Arab sect trusted to serve in the Israeli army and police - have travelled to Nabulis to donate blood to the victims of the unrest.

An ironic sidelight is that those in the forefront of the beatings being meted out these days by the security forces are themselves often Druze, members of the tough, paramilitary Border Police.

East Jerusalem, incorporated into Israel proper, is being

treated very differently from Ramallah, just ten minutes drive away. So, while shops are daily broken open in Ramallah and elsewhere in the West Bank by troops, in dealing with the "reunited, eternal capital of Israel", Mr Haim Bar-Lev, the Police Minister, threatens instead to cancel the operating licences of striking Arab shops and bus companies.

Even though the occupied territories are Israeli exporters' second largest markets after the US, so far the shutdowns have had only a limited impact on Israeli business. Obviously, the financial consequences have been much greater, and more immediate, for the Palestinians themselves, and it is this that the Shamir government is relying upon eventually to wear down the resistance.

Indeed, both Mr Rabin and Mr Yitzhak Shamir, the Prime Minister, would be delighted to leave the commercial shutdowns and work boycotts alone, in gleeful anticipation of an implosion within the Palestinian camp, if it were not for two political considerations.

The first concern is the damaging example that would be set by the de facto withdrawal of the security forces from the battlefield. The second is the government's deep, almost pathological, fear of a sustained campaign of civil disobedience, a weapon to which the Israeli state is dangerously vulnerable.

Ministers meet on joint Gulf defence force

BY RICHARD JOHNS

WITHDRAWAL of up to four of the eight minesweepers deployed in the Gulf by Britain, the Netherlands and Belgium, and formation of a joint force are the likely outcome of talks which the defence ministers of the three countries began in London yesterday.

The three navies, which have co-ordinated their mine-hunting operations since last autumn when the vessels arrived, are confident that the waterway has now effectively been cleared of mines.

None has been found since November and the zone off Fujairah in the Arabian Sea, an important transshipment area for Arab exporters, has been declared safe by the Royal Navy.

The British Ministry of Defence yesterday refused to confirm that a reduction in the RN flotilla of four minesweepers was being considered.

The expectation is, however, that there will be a rundown. One of the two Belgian minesweepers originally dispatched is of its working life and a replacement is being sent to relieve the second, a defence spokesman in Brussels said.

In London, Foreign Office officials confirmed that the talks should lead to a more integrated force which would entail a reduction in the total number of minesweepers deployed.

Sri Lankan opposition wins poll concessions

BY MERVYN DE SILVA

OPPOSITION demands on elections in Sri Lanka secured two important victories yesterday. The Government finally announced a date for a parliamentary by-election and it responded to opposition protests by amending the new provincial council election law so that a party will need to gain only 2.5 per cent of the vote rather than 12.5 per cent to qualify for seats.

The Homagama by-election will be held on February 18. The seat has been vacant since Mr Gamini Jayasuriya, the agriculture minister, resigned in protest against the parliamentary bills to implement the peace accord signed by India and Sri Lanka in July.

Homagama, a predominantly Sinhalese-Buddhist electorate 10 miles from Colombo, will be the first test of public opinion on an agreement that has roused the anger of the Buddhist clergy and encouraged Sinhalese extremist violence in the south.

The ruling UNP party has decided to field a wealthy businessman from one of the island's best known Buddhist families. He is a cousin of Mr Jayasuriya.

Mrs Sirimavo Bandaranaike's opposition party, the SLFP, will join with two other minor opposition parties to nominate a former speaker of parliament.

The decision to reduce the minimum valid requirement for seats in the provincial elections under a new proportional representation system is a concession by President Junius Jayewardene to a united left front, the third force in the island's politics, which strongly supports the peace accord. The Indo-Sri Lanka accord to end the island's ethnic conflict stipulated that polls would be held in the war-ravaged Tamil north and east before the end of December. The north and east will be administered by a single provincial council for a trial one-year period after which a referendum will be held in the mixed (Tamil, Moslem and Sinhalese) east to allow the voters to decide if this arrangement should be continued.

While the slow return to normality in the north, the Tamil heartland and the separatist stronghold may allow the government to hold the elections, the situation in the east, where the Tamil Tigers are still an active guerrilla force, is far from stable.

Another division of Indian troops arrived in the island recently to bring the strength of the peace-keeping force to 48,000. Mr Jayewardene leaves for New Delhi tomorrow to be chief guest at India Day celebrations on Tuesday.

Korea could face war, North warns Seoul

NORTH KOREA warned yesterday that unless the north and the south resolved their problems, the divided Korean peninsula could face a possible war, Renter reports from Seoul.

Rodong Simnun, organ of Pyongyang's ruling Workers (Communist) Party, quoted by the official North Korean Central News Agency monitored in Seoul, said:

"If the north and the south fail to solve pending issues, including discontinuation of large-scale war exercises, our nation will hardly become reconciled and united, reunification will be farther off and the nation will have no choice but to make a war."

In another development, the US announced it had put North Korea on its blacklist of terrorist nations and has called for international protests over the country's alleged role in the destruction of a South Korean airliner by a bomb.

"We'll do whatever we can to make sure there's some price to be paid" for the destruction of Korean Air Lines Flight 858 with its 115 passengers, Mr Charles Redman, State Department spokesman, said.

The terrorist listing - plus tighter visa controls and a ban on diplomatic contacts with the North - followed consultations with South Korea "regarding ways in which we register our common outrage at this act of mass murder," he said.

South Korea had threatened "all forms of possible retaliation" against the North over the incident.

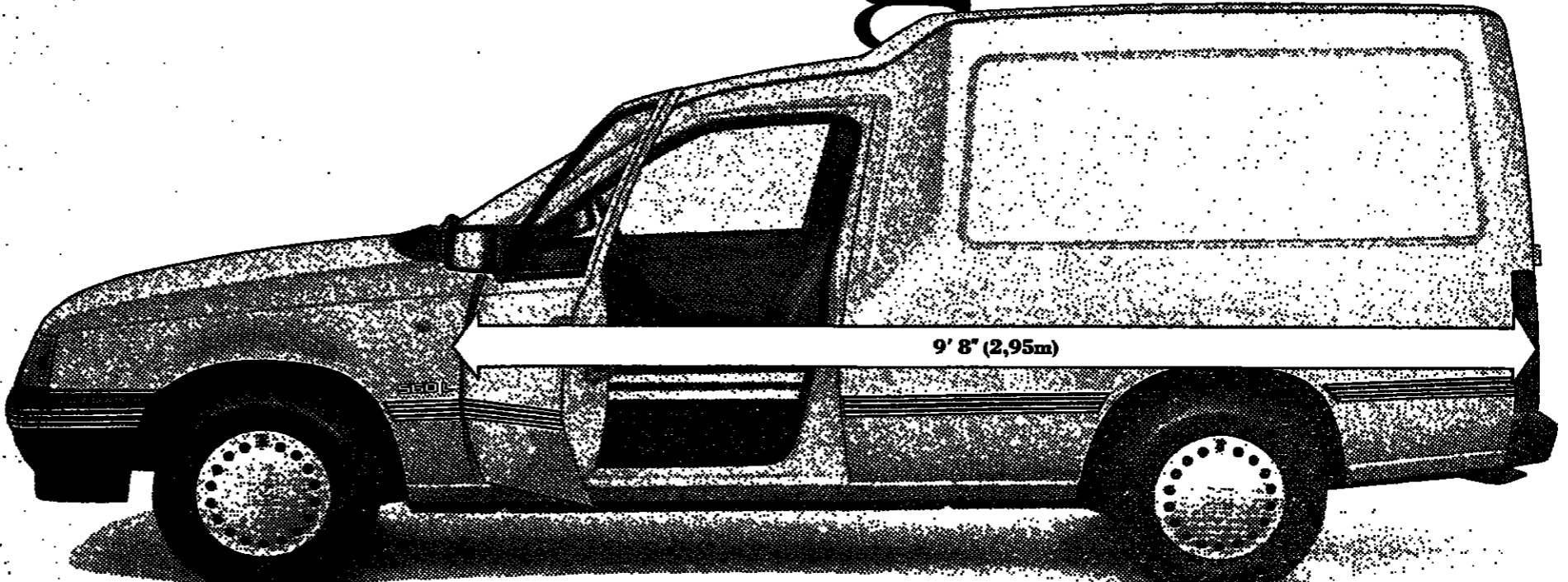
But US officials said they do not expect any military action, which could greatly increase tensions on the peninsula and jeopardise the summer Olympic Games set for Seoul.

Washington said previously it agreed with South Korea that North Korea was responsible for the bombing on November 29.

But Mr Redman said the evidence was even more compelling after US officials reviewed a confession by a self-proclaimed North Korean agent, Kim Hyon-hui, who said he helped plant a bomb aboard the plane on the direct orders of Kim Jong Il, son and heir apparent of North Korean leader Kim Il Sung.

North Korea has denied the charges and made no comment on the US announcement.

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UK NEWS

Extra health funds to be tied to nurses' pay rise

BY PETER RIDDELL, POLITICAL EDITOR

ADDITIONAL Government money will be provided for the National Health Service in the coming year, but only after the March budget, and it will be tied specifically to the restructuring of nurses pay.

This is regarded by ministers as consistent with the Treasury's refusal - endorsed yesterday by the Prime Minister, Mrs Margaret Thatcher - to reconsider its public spending decisions and to add extra spending in the March 15 Budget.

The cash increase will come in the Government's response to the proposals of the independent pay review body on nurses pay which is currently considering far-reaching changes to reward skilled staff who are in short supply. Its report is expected in April.

The Treasury is at present declining to say how much of the extra cost above existing allocations will be separately

funded by new money. Depending on the extent of the restructuring, this could easily amount to more than an extra \$450m to \$500m when other medical pay awards are included.

However, senior ministers involved agree that in the current political climate, most of the extra cost will have to be paid for by the Treasury from the contingency reserve.

Such an additional provision is seen by ministers as politically attractive since it cannot be described as an indiscriminate financial hand-out in response to outside and opposition pressure, but can instead be portrayed as a way to deal with the shortage of skilled nurses.

Senior ministers and parliamentary managers last night claimed that most Conservative party backbenchers agreed that to provide more money without conditions would not be an

answer; the emphasis would have to be on improving efficiency, generating more revenue and increasing the private sector contribution.

Nevertheless, many Tory MPs argue that a short-term increase in money is necessary to give a breathing-space while any longer-term changes take effect.

The Treasury is reluctant to provide more money for the NHS in the budget partly because it does not believe the case for an increase has yet been made, in view of differences in performance between hospitals; but it is also concerned that demands from other departments may be triggered.

This is, however, unlikely to end the debate on budget priorities. Labour is already developing a campaign on the theme of "make Budget day, national health day."

UK-overseas investment gap widening, CBI tells Lawson

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE CONFEDERATION of British Industry yesterday gave a warning of a widening investment gap between Britain and its overseas competitors and called for a substantial reduction in the rising tax burden on industry.

In its representations to Mr Nigel Lawson, the Chancellor of the Exchequer, ahead of his budget on March 15, the CBI said that he should achieve large-scale cuts in personal tax in favour of moves to encourage new investment in industrial plant, in research and in training.

Any reductions in income tax should be concentrated on reducing the top marginal rates and in easing the poverty trap at the lower end of the income scale rather than on giving a generalised boost to consumption.

Introducing the representations yesterday, Mr John Banham, the CBI's director general, emphasised the organisation's concern that a massive income tax giveaway could widen Britain's trade gap and put upward pressure on interest rates.

Among the options open to Mr Lawson to improve the out-

Budget demands from employers

- Close investment gap between UK and competitors
- Reduce tax burdens on industry
- Eliminate wasteful public spending
- Increase public spending capital projects
- Encourage more small business enterprise

look would be a cut in corporation tax, some restructuring of capital allowances, particularly for small firms, action to hold down business rates and increased flexibility in the business expansion scheme. At the same time the Government's plans for large increases in electricity prices should be dropped.

The employers' organisation also re-emphasises industry's concern that the Government maintain sterling's value at a competitive level against other major currencies and take every opportunity to cut interest rates.

It also highlights the dramatic increase in industry's tax payments over the last few years. Mr Banham said that since 1983, the Treasury's receipts from income tax had risen by \$2bn, while the tax bill

on industry had gone up by \$8bn.

Part of that increase reflected the improved profitability of industry, but British companies were nonetheless paying more tax on smaller profits than their West German counterparts, Mr Banham said.

The CBI devotes considerable space in its representations to the investment gap between Britain and West Germany, which it says has widened by \$2bn since 1980. In 1986 West German manufacturing industry invested \$700 per employee more in fixed capital than did British manufacturing. British industry was similarly weak in its spending on research and development and on training.

Those gaps would not be closed while industry saw a growing share of its profits taken in tax.

Trident costs trimmed by £222m

BY PETER RIDDELL, POLITICAL EDITOR

THE ESTIMATED cost of the Trident nuclear missile programme has fallen again over the past year by £222m as a result both of savings in real terms and the impact of the rise in sterling against the dollar.

Revised estimates were announced yesterday by the Ministry of Defence, which also confirmed that Britain would join the project definition stage of the proposed joint Nato frigate for the 1990s, the NFR 90.

However, the go-ahead is dependent on progress at the appraisal stage, and follows a compromise between the Ministry of Defence and the Treasury at a Cabinet committee

this week.

The latest estimate of the cost of the Trident submarine and missile programme is \$9.04bn at current prices, compared with \$9.26bn a year ago. This drop, which follows a fall in 1986, reflects a mixture of contrasting influences. In real terms, at constant prices and exchange rates, there has been a reduction of \$376m, but price inflation over the year has added \$412m.

However, the rise in the pound against the dollar has reduced the sterling cost of the 36 per cent US content by £258m, producing the overall net saving of £222m.

The estimates were prepared towards the end of last year on the basis of a \$1.62 exchange rate. However, since every cent rise in sterling saves about \$20m, and the pound has appreciated this year, the current cost might be \$300m lower.

Mr George Younger, the Defence Secretary, announced that on a longer-term basis the real cost of the Trident project was now \$1.04bn lower than the original 1982 estimate. This is in addition to savings resulting from the decision to have UK missiles maintained in the US in Georgia rather than in Scotland.

Mr Younger confirmed that the project was on track to enter service as planned in the mid-1990s.

The announcement on British participation in the project definition stage of the Nato frigate, which will replace the Royal Navy's Type 42 destroyers, follows a lengthy Whitehall tussle.

Six other countries, including the US and West Germany, signed a memorandum of understanding last October, but the UK had been reluctant to sign because the programmes for the ship and for the main weapon systems have been out of synchronisation.

Hurd hints at limit to secrets categories

By Tom Lynch

REFORM OF Britain's secrecy laws could involve limiting the number of categories of government information to be kept secret, Mr Douglas Hurd, the Home Secretary, indicated in the House of Commons yesterday.

Hurd was challenged at question time in the Commons about the revolt by his own private members' bill to abolish Section 2 of the 1911 Official Secrets Act - which makes unauthorised disclosure of any official information a criminal offence.

Mr Hurd said he wanted to see "a decent, restricted system for the provision of official information rather than the present system, which has been open to misuse and misrepresentation, and that is what we intend to get."

Mr Simon Hughes (Liberal), urged him to listen to all the views in the country, rather than the "increasingly dominant" view in his own party that the Government's defence of its own actions was more important than the national interest.

He said this view was indicated by the fact that only two of the 19 Tories who defied a Government order last Friday to support the bill were from among the 83 Conservatives first elected in June last year.

Mr Roy Hattersley, Labour's home affairs spokesman, said allegations by Mr Anthony Cavendish in his privately-published book that elements in the security services had sought to discredit MPs from both sides of the House should have been investigated.

However, Mr John Stokes (Conservative) said: "All these matters of secrecy are mainly of interest to the media and those concerned with the media."

He added that the mass of patriotic people wanted state secrets kept state secrets.

Mr Hurd agreed that the flavour of discussion in his constituency last weekend had been different from that in the House of Commons last Friday.

He said there had been at least 15 years of public debate on the issue and there would be a full opportunity for interested parties to comment before the June White Paper (policy document) or between its publication and the framing of legislation.

Liberals merger war hot up

By Michael Cassell, Political Correspondent

THE BATTLE between the Liberal Party factions for and against a merger with the Social Democratic Party was stepped up yesterday, in advance of tomorrow's crucial assembly in Blackpool, on the north-west coast.

Up to 3,000 Liberals are expected to attend the assembly, which will vote on whether or not to put the merger package to a full ballot.

Both camps were claiming yesterday that they were set to win the vote, which will require a two-thirds majority.

The Liberal leadership, however, believes that many members will not make up their minds until the debate.

Several leading members of the SDP will also be in Blackpool, although Mr Robert MacLennan, its leader, has dropped a plan to attend. Lord Jenkins, the party's first leader, said yesterday that he was returning especially from the US.

He added: "I am still concerned that an honest marriage can, and should, be made. Recent disputes have not been between the two parties but within them."

However, Mr Michael Meadowcroft, the former Liberal MP and president-elect of the Liberal Party, yesterday stepped up the campaign against a merger, calling the package "divisive and biased."

Mr Adrian Slade, the Liberal president, said yesterday he believed the merger package would be approved by the required majority.

Toshiba diversifies with small phone exchanges for business

BY TERRY DODSWORTH

TOSHIBA, the Japanese electronics group, is entering the UK business telephone equipment market to broaden the base of its rapidly expanding office systems division.

Although Toshiba created its British Information Systems subsidiary only two years ago, it has already built up annual sales of about \$30m. Its aim is to achieve a turnover of about \$100m by 1990, of which 25 per cent is intended to come from the newly launched telephone business.

The company has chosen to spearhead its assault on the UK telephone market with small business exchanges capable of handling up to 50 lines at once. Competition in such products, known as key systems, has intensified greatly in the last five years after the liberalisation of UK telephone procurement.

Mr Andrew Roberts, general manager of Toshiba UK's telecommunications division, said yesterday that the company had decided to concentrate on key systems because it was easiest to get approval for new products in that area of the telecommunication market.

In addition, distribution channels were more available than for larger private exchanges, and Toshiba had a strong product range developed for the US, where it was the third largest supplier of key systems.

So far, Toshiba's business in office products has come mainly through its copier line and its range of portable and laptop computers - a sector where it has jumped to market leadership in Europe. It also launched its facsimile machines in the UK last year.

David Thomas writes: Japanese electronics companies might invest as much as \$100m in the UK this year, the European director of the Electronics Industries Association of Japan said yesterday.

Reviewing a booklet on the

company's experience in Britain, Mr Takao Negishi said labour relations had improved markedly in the last decade.

"Excellent industrial relations is a feature common to all of the Japanese electronics companies in Britain."

The association says Japanese electronics investment in the UK totalled \$670m by the end of last year and has so far directly created or safeguarded 14,000 jobs.

Mr Negishi said the emphasis of new Japanese investment was likely to shift away from consumer electronics to industrial electronics.

He also expected an increase in the number of Japanese component companies setting up in the UK, partly as a result of EC action against use of Japanese-made components in European plants.

Investing in Britain: Japan's Electronics Industry. EIAJ, 1 Dean's Yard, Westminster, London SW1 3NR. Free

Abbey is providing \$40m for a development at Paddington Basin in West London.

Building societies were first permitted to finance property development by the 1986 Building Societies Act. Major housing development schemes have already been announced, mainly by Nationwide Anglia, which said last autumn that it would invest \$600m in rented housing over the next five years.

Abbey to fund commercial property

BY RICHARD WATERS

ABBEY NATIONAL has become the first building society to finance a large commercial property development, marking a significant departure away from the industry's traditional residential base.

Another leading society, which yesterday declined to be named, is expected today to follow suit by announcing its own venture in commercial property development.

The entry of building societies into the commercial arena, though modest in terms of their total lending at this stage, could have significant long-term repercussions. Societies have suffered from severe competition for residential mortgages and are likely to welcome the opportunity to diversify into higher-margin lending which is also secured on property.

Abbey is providing \$40m for

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Housebuilding starts highest for 14 years

By Andrew Taylor

BUILDING STARTED on more than 194,000 private homes in Great Britain last year, the highest number for 14 years, according to figures published yesterday by the National House-Building Council.

The council expected housebuilding starts to remain high this year, although at a lower level than in 1987. Starts last year rose by 4 per cent compared with 1986.

Mr Basil Bean, the council's director general, said the stock market collapse had not affected housebuilding activity, although London house prices appear to be stabilising at the top of the market.

Starts made on new homes during the final three months of last year were 28 per cent higher than during the last three months of 1986, underlining the continuing buoyancy in the housing market following the stock market crash.

However, the pace may be slowing in south-east England and Greater London, which last year accounted for more than 35 per cent of all private homes started in Great Britain.

According to the council, starts in the south-east during the final three months of last year were 3 per cent lower than in the previous three months. Housing starts in northern

England increased by 3 per cent over the same period.

The south-east, particularly those parts of London where young professionals tend to live, is seen as the most vulnerable to the slide in share prices although so far house prices and sales have remained unaffected apart from some parts of Docklands in east London.

Building societies are more concerned at the way in which price rises have outstripped salary increases, leaving people in high priced areas unable to afford to buy their own home.

Purchasers are having to borrow approaching four times their average annual wage to buy an average priced house, say the societies. They expect house price increases to be in double figures this year, although slower than in 1987.

High demand for sheltered housing for sick and elderly people has led to landowners obtaining planning permission for sites that are totally unsuitable, too far away from shops, public transport routes or on steep ground, warns a report published yesterday by the House-Builders' Federation.

Sheltered Housing for Sale. BEC Publications, Federation House, 230/11 Coventry Rd, Salford, Birmingham B36 2PL. £10.

Electronic transfer urged on industry

By David Thomas

THE TRADE and Industry Department is urging companies in 10 industrial sectors to communicate more business electronically in a project called Vanguard launched in 1986 to stimulate information transfer electronically for improved efficiency.

Such services are called value-added and data services. They include electronic messaging and electronic data interchange, where companies send documents such as invoices between clients and suppliers over telephone lines.

Until now electronic data interchange has been adopted by only a few industries, among them motors and shipping.

However, the department, using responses to Vanguard's first phase which included free advice, has picked industries it believes most interested to develop the services.

They are textiles, wholesale food distribution, electrical, construction, educational supplies, pharmaceuticals, brewing, aerospace, agricultural and transport.

Hazel Duffy reports on the campaign to provide business consultancy services

DTI preaches the enterprise gospel

A MISSIONARY zeal has taken over in the regional offices of the Department of Trade and Industry.

In the north-west, getting the enterprise message over means civil servants getting closer to the customer. This is not just in Manchester, but also in Liverpool, Kendal, Preston and Crewe.

Mr Martyn Baker, DTI director in the north-west, moved his new team out of the Manchester tower block into new premises in downtown Moseley Street in time to coincide with the announcement last week of the new policies by Lord Young, Trade and Industry Secretary.

The team has been picked to go out and sell the new consultancy services. There will eventually be about 30 in the whole region. Most had already been working in the Manchester office but a few have been netted from Whitehall in response to a pre-white paper crawl to find volunteers for the regions.

The Moseley Street team work in offices designed to dispel the common image of the uncaring civil servant. A window to the ground floor offices displays the new departmental logo to bring home the message that the DTI is available to the businessman. Close carpets, new desks and terminals complete the image of a professional organisation, while an interview room for more private discussions has been thoughtfully provided.

It is all in line with Lord



Martyn Baker: taking the message into the field

Young's premise that the department will only be taken seriously in encouraging business to become more professional if it is seen to behave likewise.

A similar approach will be adopted on Merseyside. The other offices will be in a college of further education - helping also to emphasise links between business and education - and a local chamber of commerce, which businessmen are already in the habit of consulting. The civil servants in these offices will be "field officers," says Mr Baker, whose job will be to build up a network of contact points with local business.

"They will take every opportunity to meet and talk to people. They cannot do that simply sitting in an office."

first year of operation - is small beer. The department also has experience already of providing consultancy services, although on a much smaller basis.

But there are some inconsistencies which will need attention if the scheme is to work. The aim in Moseley Street is to provide as near as possible a one-stop shop. But there is the small matter of the small firms service offered by the Department of Employment.

The DTI says that the two are complementary - Employment is concerned with helping small firms at the earliest of stages, DTI takes it from there - and that inquiries to one, which seem better suited to another, will be passed on. Nevertheless, the separation of the two looks increasingly like a hindrance to the effective working of a service to business.

Then there is the matter of the budget. Despite the lip service paid in Whitehall to delegated budgets being a necessary part of devolved authority, Mr Baker does not have his own budget for the new initiative.

Lord Young explained his regional policy changes as the Government seeking to increase indigenous growth in the regions and avoiding the

branch economy situation. If his regional offices are to be given a bigger role, as the white paper said, and to be told to identify more with local business, they will need to be given more financial responsibility.

Chemicals group in US growth

By Peter Marsh

ALLIED COLLOIDS, the Bradford chemicals group, is spending \$16m (£8.8m) expanding its US plant in Suffolk, Virginia.

The investment is aimed at adding to a sales drive by Allied Colloids in the US, where last year the company derived about a third of its \$145m sales revenue. It will also reduce the costs of shipping products from the UK.

Output from the Suffolk plant, which employs 150 and was opened in 1985, is worth about \$11m a year, with the rest of Allied Colloids' US sales used by products from its main Bradford factory.

The US expansion will increase production of the Suffolk plant by half and receive about 50 more workers. The plant's main products are polymer-based additives used to aid chemical processes in industries such as paper-making, mining and pollution control.

BP share advertising cost £23m

By Maurice Samson

SALE OF the government holding in British Petroleum cost £23.1m in advertising bills, bringing official total advertisement spending on the privatisation programme to more than £60m.

The figures were issued in a written parliamentary answer by Mr Norman Lamont, Treasury Secretary.

He said the next biggest bills were the \$11.7m for advertising the British Telecom flotation in 1984 and \$11.5m for the British Gas sale in 1986.

However, some media analysts say the total cost of popularising the gas sale, including advertisements and prospectuses, was nearer £30m.

Assuming Mr Lamont's figures were calculated on a common basis, the higher BP cost appears to reflect the size of the issue and difficulties of marketing it, aside from those caused by the stock market crash.

Whereas the entire gas corporation was being sold for the first time, the BP sale had to arouse public enthusiasm for a secondary issue involving the Government's 35 per cent stake and a further 20 per cent rights issue by BP.

An advertising executive said that in a climate of falling oil prices those responsible for marketing the issue "had to create a feeling of scarcity and then persuade the public to get its money out of the building society."

The targets in the three big flotations also differed: the British Telecom sale aimed at raising £4bn, British Gas at \$5.6bn and BP at \$8bn. Further, a bigger audience was sought for BP.

All three were marketed by Dove Rogerson, the communications consultancy now advising the Central Electricity Generating Board on the Government's more complex plan to privatise electricity supply.

ITV revenue totals £1.33bn

THE 15 regional independent television companies earned a record £1.33bn in net advertising revenue last year. The unaudited figure was an increase of 12.1 per cent on the 1986 total of £1.18bn.

Advertising revenue varied from peak growth of 21 per cent in May to a 1.94 per cent fall in November, compared with 1986. The rate is expected to slow this year but real growth of 8-10 per cent is being forecast.

TV-am, the commercial breakfast television company, plans a wide variety of programmes for US television and cable companies.

When cotton yarn processors James Sutcliffe & Sons Ltd were told of the massive savings they could make by switching from oil to electricity they were, frankly, sceptical.

Ian Flint, Industrial Sales Engineer at Yorkshire Electricity Board, had taken a hard look at the oil boiler - used to provide heat for steaming cotton yarn and for space and water heating in the works canteen - and predicted substantial benefits by switching to electricity.

YEB carried out detailed tests before recommending the installation of a highly efficient electrode boiler for yarn steaming, with separate electric space and water heating equipment in the canteen.

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Complaint against arbitrators fails

BANK MELLAT v GAA DEVELOPMENT CONSTRUCTION COMPANY
Queen's Bench Division
(Commercial Court)
Mr Justice Steyn
January 12 1988

MAJORITY ARBITRATORS who are required by the ICC Court to elaborate on (but not to change) reasons in their draft award, commit no misconduct in declining to convene a meeting with the dissenting arbitrator if he has already expressed his views after full deliberation so that a further meeting would be time-wasting, and if he is invited to comment on the revised award by correspondence. Also, the award would not be invalidated by a mistake as to construction of the disputed contract on the ground that the majority exceeded their jurisdiction, in that interpretation of the contract is always a matter for the arbitrators irrespective of its governing law.

Mr Justice Steyn so held when dismissing an application by Bank Mellat to set aside a majority arbitration award on the ground of misconduct, and granting an application by GAA Development Construction Co for summary enforcement of the award against the bank. His Lordship said that by a contract made in August 1975 between GAA and Bank Omran, GAA agreed to buy land near Tehran from the bank and to build apartments. The bank was to receive the price of the land and 15 per cent of the proceeds of sale of the apartments. GAA was a Liechtenstein company, beneficially owned by Israeli interests. Bank Omran was Iranian, and was merged into Bank Mellat by expropriation in the post-revolutionary period.

Clause 11 of the contract provided that in case of *force majeure* the parties should be relieved of their obligations and should seek to reach agreement "on an equitable solution". If they were unable to do so either party might refer the matter to arbitration.

Disputes were to be settled by three arbitrators in London in accordance with the rules of conciliation and arbitration of the International Chamber of Commerce (ICC) of Paris. The award was to be absolute and final, and the governing law of the contract was Iranian law.

Construction commenced in March 1977. In November 1978 work ceased on site. The Islamic revolution took place and the project was doomed. In June 1979 GAA gave the bank notice that *force majeure*

made the contract impossible. It nominated an English lawyer as arbitrator and the bank nominated an Iranian lawyer, Mr Goodarzi Dajromi. The Swedish National Committee of the ICC appointed a Swedish judge as third arbitrator, and she was subsequently appointed chairman of the tribunal by the ICC.

The final oral hearing took place from September 3 to 11 1986, lasting nine working days. On September 12 the arbitrators held a meeting in deliberate. On January 24 and 25 1987 their final meeting took place.

Fundamental differences existed between the majority and the minority (Mr Dajromi), the former favouring GAA's position and the latter favouring the bank. A draft majority award was on the table for discussion. Mr Dajromi's reasons had not yet been prepared, but he had an opportunity during the two days to put forward his views.

On March 25 the draft majority judgment and the dissenting opinion were considered by the ICC Court of Arbitration.

The ICC Court had no judicial function, but supervised the application of ICC rules by arbitrators. It scrutinised awards, paying particular attention to form and the mandatory rules of the place of arbitration, without affecting the decision.

The ICC Court did not approve the majority award, but sent it back for reconsideration, asking for strengthened motivation of two issues.

All three arbitrators received the communication. Mr Dajromi was in a position to communicate his views to his co-arbitrators by letter or telex. Instead he asked the chairman to convene a further meeting.

He was sent a copy of the revised award and on April 23 the chairman teleaxed him that the reasons had merely been elaborated on, not changed, and there was no need to reconvene. She invited him to comment in writing on the revised award by May 7. He did not respond to the invitation.

On May 13 the ICC received his "further dissenting remarks". They were considered by the majority, and the revised award was placed before the ICC Court. It was approved on June 17.

Bank Mellat now sought to set aside the award on the ground of misconduct. The charge was that the majority failed to convene a meeting to convene a meeting or to comment Mr Dajromi after the ICC Court referred the majority award back for reconsideration.

The governing principle was that after end of the hearing

parties were entitled to an impartial and fair consideration and resolution by the arbitrators acting together, of all issues in the case.

It was not suggested that the amendments to the reasons involved anything that had not been canvassed and discussed. In Iranian law the phrase "equitable solution" bore no technical meaning. The interpretation adopted by the majority was therefore manifestly open to them on the evidence and arguments. It was plainly the correct interpretation.

The complaint, and other subsidiary complaints, failed. The award was final, binding and enforceable.

Bank Mellat also resisted enforcement on the ground that the terms of the award did not permit enforcement under section 26(1).

The section provided that an award might, by leave of the High Court, "be enforced in the same manner as a judgment". Conventionally in England the dispositive part of an award was introduced by the words "We award and adjudge."

The dispositive part of the present award provided that the majority "award and adjudge" that Bank Mellat should pay GAA \$3,655,914. But, it was pointed out, in their reasons the majority stated "the bank should pay the awarded sum in Switzerland."

That ruling was based on the general principle that, in the absence of agreement to the contrary, the debtor should seek out the creditor for purposes of payment. The real release was that the currency should not be in riyals.

A ruling of law contained in the reasons did not *ipso facto* form part of the dispositive provisions of the award. Here the majority expressly added "We award and adjudge."

This ruling is intended not to prejudice any action for enforcement of the award.

Reading the ruling in the reasons as part of the dispositive provisions involved a re-writing of the award which was contrary to principle and practice. GAA's application was granted.

For the bank: David Hunt QC and Richard Lord (Stephenson Harwood)
For GAA: Robert Akenhead (Chambers & Chambers)

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full text of judgments. For subscription details contact Khurser Law Publishing, Africa House, 68 Kingsway, London, WC2B 6BD. Telephone 01-831 0391

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COMMERCIAL PROPERTY IN WEST END & VICTORIA

The Financial Times proposes to publish the above survey on Friday 26th February 1988.
For further information and Editorial Synopsis please call
Joe Bell on 01 248 0769.

Company Notices

ROYAL BANK OF CANADA
Dividend No. 482
Notice is hereby given that a dividend of 52 cents per share has been declared for the current quarter and will be payable at the Bank's discretion on or after 24 February 1988 to shareholders on record at close of business on 22 January 1988.
By order of the Board
R.L. Moore
Vice President & Secretary.

RE: GENFINANCE N.V.
USD 100,000,000
Floating Rate Notes Due 1984
In accordance with the terms and conditions of the notice, notice is hereby given that for the six month period from July 22, 1986 to July 22, 1988, the notes will carry an interest rate of 7% per annum (inclusive of 1% per annum).
The coupon amount so calculated will be USD 392.50.
Banque Generale de Luxembourg S.A.
Agent Bank

ECU 50,000,000
THE KOREA DEVELOPMENT BANK
Floating Rate Notes due 1982
In accordance with the provisions of the notice, notice is hereby given that for the six month period from January 22, 1986 to July 22, 1988 the notes will carry an interest rate of 7% per annum. The interest amount payable on the Floating Rate Notes due 1982 will be July 22, 1988 is ECU 327.26 for each Note of ECU 10,000.
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Personal
STAMP FAIR - Odeon, Piccadilly, Jan 11th - 7th 1988. Patrons Hall, 100a Trinity Lane, 7th Floor, Chelsea Square, SW10 7UB. City of London, England, 1988 Fair.

Transvaal Gold mining companies administered by Anglo American Corporation
Final Dividends - Financial Years ended December 31 1987

On Thursday, January 21 1988 dividends were declared in South African currency, by the undermentioned companies:

| Name of company (each of which is incorporated in the Republic of South Africa) | Dividend No. | Rate of dividend per share |
|---|--------------|----------------------------|
| Elandsrand Gold Mining Company Limited (Registration No. 74/01477/06) | 11 | 45 cents |
| The South African Land & Exploration Company Limited (Registration No. 01/01879/06) | 93 | 35 cents |
| Val Reefs Exploration and Mining Company Limited (Registration No. 05/17354/06) | 63 | 950 cents |
| Western Deep Levels Limited (Registration No. 57/02349/06) | 52 | 210 cents* |

* Per ordinary and 5 ordinary share

Last day to register for dividends (and for changes of address or dividend instructions) Friday, February 5

Registers closed from Saturday, February 6 to (inclusive) Saturday, February 20

Ex-dividend on Johannesburg and London stock exchanges Monday, February 8

Currency conversion date for sterling payments to shareholders paid from London Monday, February 8

Dividend warrants posted Thursday, March 10

Payment date of dividends Friday, March 11

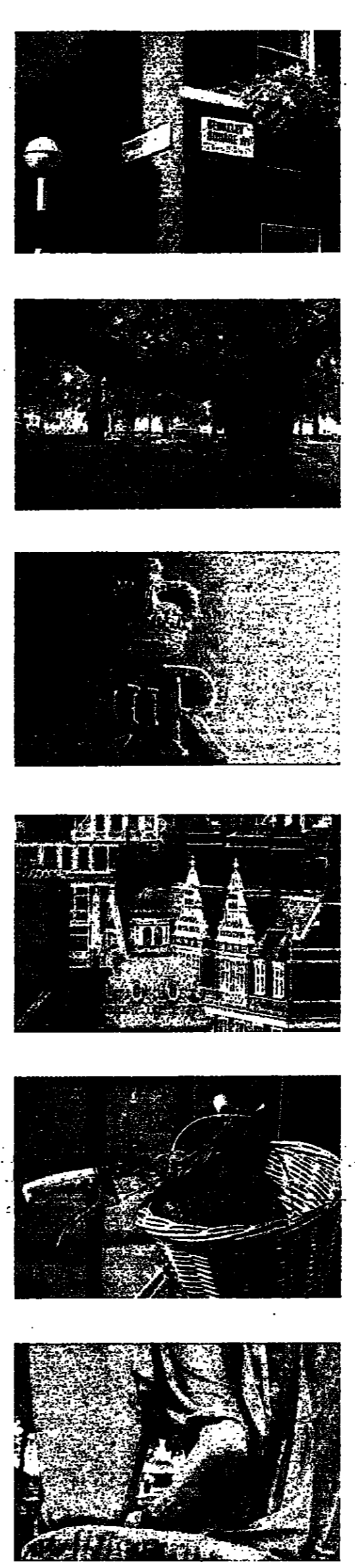
Rate of non-resident shareholders' tax 15 per cent

Holders of share warrants to bearer issued by The South African Land & Exploration Company Limited are notified that the dividend is payable on or after Friday, March 11 1988, to persons lodging their share warrants to bearer and talons at the office of the United Kingdom transfer secretaries, Hill Samuel Registrars Limited, 6 Greencoast Place, London, SW1P 1PL. The full conditions relating to the dividends may be inspected at the Johannesburg and London offices of the company and the transfer secretaries.


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Anglo American Corporation of South Africa Limited
Secretaries
per: C. R. Bull, Senior Divisional Secretary

Transfer Secretaries
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(P.O. Box 6105)
Marshalltown 2107
and
Hill Samuel Registrars Limited
6 Greencoast Place
London SW1P 1PL

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THE PROPERTY MARKET BY PAUL CHEESERIGHT

A roundabout way to get to market

IT MIGHT seem crazy to be talking about a new market when there is still no certainty about the effects of the equities collapse. But that is what is going on.

The new market is for the listing of single property schemes on the Stock Exchange. The talks are part of the regulatory merry-go-round, the effort to provide a framework of investor protection without frightening off those with single property vehicles to bring to the market.

These vehicles could be single asset property companies, single property ownership trusts or property income certificates: a Sapco, a Spot or a Pinc.

The market has appeared ready for launching but has not reached the starting point. Three sets of regulations are necessary from three sets of people; and the talk about the regulations is going round and round.

Talks between the property people behind the different instruments on offer and the Stock Exchange, which were concluded last year, are now being repeated with the Department of Trade and Industry and the Securities and Investments Board.

It is unfortunate that the Stock Exchange, the body at the bottom of the regulatory pile, came out with its listing requirements first.

Now the DTI has published

for consultation its draft regulations for single property schemes, defined as a collective investment scheme, and for trust based schemes. The SIB has come out with its own draft and invited the Stock Exchange to bring its listing requirements into line.

The Stock Exchange listing requirements of last May had the support of the property industry - that is, representatives of the Berkshire Committee, promoting Sapco and Spot, and the Pinc Association. Investment companies, developers, banks, lawyers and surveyors are represented on both bodies.

But the DTI's and SIB's draft regulations do not reflect a similar dialogue, adding to the liaison problem. "It is difficult to get three lots of regulations reading the same way," says Tim Simon, of Savills, the surveying practice which is a member of the Berkshire Committee.

There are two general points: the first is that the DTI and SIB regulations are detailed. It is a moot point whether the drafting has been flexible enough to allow new instruments to emerge to reflect different criteria of investor protection or a changing tax regime. Flexibility is a must because, as Paul Walker of Lawrence Graham, the lawyers, says, "changing the law is difficult and time-consuming".

The second is that the Stock

Exchange listing requirements have become subordinate to the SIB regulations.

This leads into a series of concerns within the industry about the draft regulations. Property people argue that if the Stock Exchange has to mirror the SIB, it loses the ability to permit a degree of discretion in the detail that will be necessary in the annual report of a single property scheme over, say, future expenditure. The reporting burden, therefore, becomes more onerous.

"It is difficult to get three lots of regulations reading the same way"

The concerns have in common the thought that the regulators are being too heavy-handed and are making more stringent demands of single property schemes than are made of companies. Four stand out: two from the DTI, two from the SIB.

The DTI has stated that, for the collective and trust schemes (not the Sapcos), borrowing should be confined to three times the annual rental income. The aim is to ensure that investors do not get stranded with a burden of liabilities from the vendors to

the market of a property. This need not affect Spots unduly because they have never been seen as geared investments. Such a level of borrowing would not constitute much more than working capital and it appears to reject the possibility that gearing might be appropriate for a refurbishment.

Paul Rivlin of County Natwest, a sponsor member of the Pinc Association, argues that companies run with gearing, and property schemes should also be allowed to. "If we do have to have a limit, let's have a sensible limit. But we don't want a limit." His idea of a sensible limit would be 75 per cent of the value of a property.

Another problem for the industry in the DTI regulations is the power given to investors over major decisions - borrowing, refurbishment, disposals - at the expense of the original owners of the property. The assumption is that the vendors of any property to the market would keep a stake in it.

If a vendor keeps 20 per cent, then that vendor should be able to vote for 20 per cent of the units at meetings, Mr Rivlin says. As Mr Walker put it, "investors and vendors should be treated alike", as joint participants, without investors being singled out for special protection.

The first problem springing

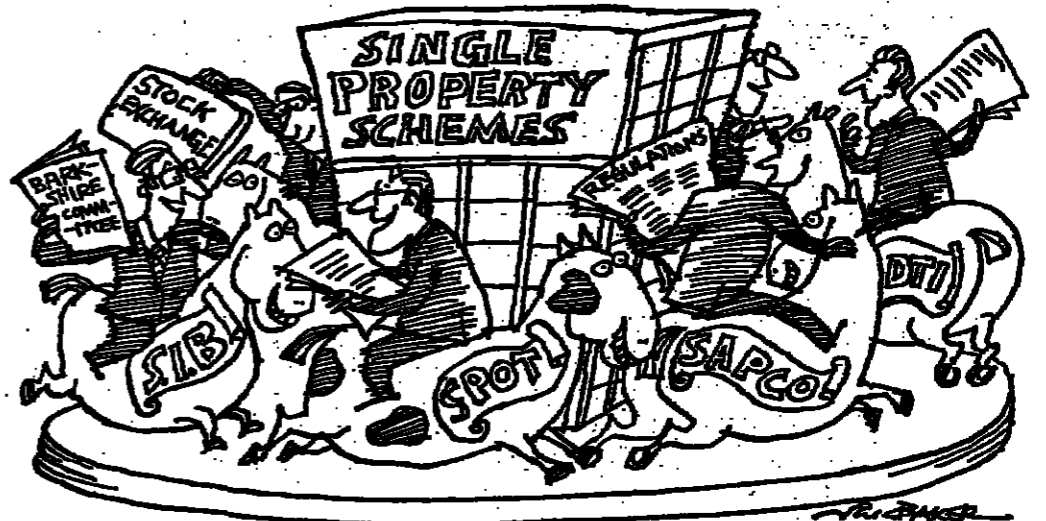
from the SIB regulations is the demand for future estimates of rental value to be made at the end of the accounting period and contained in the annual report. It is argued that this could cut into rent review negotiations spanning the end of the financial year.

Why, asks Mr Simon, should the operators of a scheme be put in the position of publicly disclosing their negotiating position with a tenant? Mr Walker says there should be an escape clause so "you don't have to disclose when it is commercially sensitive to do so".

An annual valuation of the building is also required. It is not clear how this can sit with a publicly traded property stock, where the market is settling the value of the building through the prices at which the units in it are traded.

The next SIB issue concerns the demand for an annual structural survey. The Stock Exchange listing requirements had wanted one every three years.

Industry people argue that a yearly survey is quite unnecessary. Normal practice is for a structural survey to be done when a building changes hands or during preparations for refurbishment or redevelopment. Most tenancy agreements, in any case, make the leaseholder responsible for repairs.



Careful timing will be the key

WHEN ALL the regulations have been settled, the sponsors of the different property schemes will need to consider the timing of their first issues.

The Pinc Association was poised to come to the market with three issues last October, but was frightened by the possible effect of the DTI regulations. Then the equity crash killed off any lingering hopes of a launch.

The latest newsletter of the Pinc Association seems to rule out any early decisions on a

launch: "Until the extent of the reaction (to the equity market fall) is known, the valuation of a property for monetisation and the pricing of Pincs will be more difficult. We shall need a stable market for the successful flotation of the first Pinc."

From the start, the Pinc Association and the Berkshire Committee have acknowledged that the timing of the first issues is critical, because if the new market did not take hold then the chance of bringing new liquidity to the property market could

be set back several years.

There is a belief that new issues have only a limited chance of success because market confidence has been knocked.

The counter argument is that, since equities are not the heavens they used to be, the solidity of property becomes more attractive, especially when new investment in it can readily be betted. That is certainly the view in Belgium where there have been new unlisted property issues placed on the market since October.

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MANAGEMENT

Why Mandelli taught itself a lesson

Learning from European customers, the Italian group developed flexible manufacturing systems. Alan Friedman reports

CAN A MODEST-SIZED and family-owned Italian machine tools company turn itself in a very few years into a supplier of one of the world's most advanced flexible manufacturing systems?

For Mandelli of Piacenza in Lombardy, some 30 miles south of Milan, the answer is yes. The company, which has opened subsidiary offices in France, West Germany, Sweden and the US, has followed an aggressive policy of heavy research spending and developed a sales strategy that has won it major orders throughout Europe and the US. Today the company can claim to have sold and installed 26 of the estimated 280 FMS factory automation systems in place in industrialised nations.

The story of Mandelli bears telling because it exemplifies the rewards of forward thinking and of treating Europe as a whole as its immediate market. It is also an example of a company that has spotted trends in manufacturing and has pursued them in many European markets which have been traditionally treated by the West Germans as their own back-yard.

The 52-year-old Giancarlo Mandelli, a soft-spoken industrialist who recently completed a long-desired degree in political economy, recalls with pride that his father founded the company in 1932 as a precision engineering firm that sought to become a sub-contractor for big manufacturers. Mandelli and his two brothers - both of whom work on the technical side of the business - joined the family business in the 1950s "with the goal of bringing our name to the attention of the wider world."

In 1967 Mandelli launched its first machine tool, built with a numerical control system, at a trade fair in Milan. At the time the company had 82 employees, a small factory at Piacenza, sales of less than 11bn and no clients outside Italy.

In the early 1970s Mandelli had serious problems in selling its products abroad. "We



were spending a lot of money on producing machining centres, but we did not know who to sell to. We had no references and no track record." Mandelli recounts. The company decided to hire agents in Zurich, Switzerland, and in Gothenburg, Sweden. These two foreign markets were chosen because Switzerland was geographically near Italy and because both the Swiss and Swedish markets were demanding markets for precision machinery. Mandelli thought he could "learn as well as sell."

The Mandelli family decided itself to finance a programme in which it gave its machining centres to companies - such as Volvo - on a trial basis. "They only paid us after several months, when they were satisfied our equipment worked."

Mandelli says that in 1972 he realised that the machining centres might serve as modules for a larger and integrated system, which today is known as FMS. "They were always very advanced in their thinking and unafraid to spend on research," says an official at UCIMU, the Italian machine tools association in Milan.

In 1975, making use of a Digital Equipment processor Mandelli, decided to build its own computer-based numerical control system to accompany the FMS modules it was designing. Three years later, in 1978, Mandelli changed the company's raison d'être, from "building machine tools that could be carried on a truck to a factory to supplying and servicing full systems." By 1979 two things had

occurred which changed Mandelli's destiny. The first was that Amada, a Japanese machine tool company with 6,000 employees (more than ten times the size of Mandelli's staff), came to see the little company in Piacenza and ended up paying \$2m for licences to use Mandelli's home-grown technology in the production of multi-purpose modules. Then, with persistent problems in the West German market ("our clients liked our products but they wanted guarantees on delivery and servicing in the local language"), Mandelli invested in hiring ten people to open a European sales subsidiary in Wiesbaden, Mandelli International GmbH.

The Japanese interest proved to Mandelli that it was onto a solid technology, and the German office began winning orders in a big way. By 1983 around 40 per cent of sales were non-Italian; this is now up to 89 per cent. Other foreign offices followed, because, as Mandelli puts it, "we realised that if you are going to make an impact in a foreign market you have to establish a direct physical presence and deal in their language, their culture and their currency."

"We opened in Wiesbaden eight years ago because Germany is at the centre of the European market and because Germany has a more sophisticated financial system than Italy and we needed international trade finance. We believed then and do even more now in the need to get away from a local mentality and prepare for 1992. Germany helped us to do that," Mandelli explains.

Spending on research is the second pillar of Mandelli's strategy. At present some 115 people work on R&D and this year more than 10 per cent of the company's expected 1,120bn of turnover will go to research.

To help finance the growth, the Mandelli family has (rather unusually) allowed a merchant banking subsidiary of the Banca Nazionale del Lavoro to buy 10 per cent of



Giancarlo Mandelli sent his machining centres on a trial basis

THE GROWTH OF MANDELLI

| | 1983 | 1984 | 1985 | 1986 | 1987 |
|----------------------|-----------|-----------|-----------|-----------|------------|
| Sales | Lbn 38.96 | Lbn 57.01 | Lbn 65.12 | Lbn 90.30 | Lbn 120.00 |
| Operating profit | 0.1 | 0.2 | 0.9 | 3.1 | 6.0 |
| Exports (% of sales) | 40.2 | 42.5 | 38.0 | 56.9 | 58.0 |
| No. of employees | 613 | 616 | 646 | 726 | 780 |

Note: 1987 figures are forecasts

its equity. "We hope to come to the stock exchange when market conditions improve," adds Mandelli, noting that 1987 marks the third year of a fully consolidated and externally audited balance sheet.

Earlier this year Mandelli also began a venture with IBM's Italian subsidiary in which the US giant and the Piacenza family firm will conduct research aimed at realising the computerised factory.

Aside from the IBM venture (which sees the US giant with 49 per cent of control), Mandelli has also taken advantage of Italian government financial incentives to join three partners and launch HITEX, a research company in the south of Italy.

The non-Italian achievements of which Mandelli is most proud include a recently won \$20m order from Volvo to supply what will be one of the "world's largest FMS installations to date, a system that will help produce 50,000 engines a year for Volvo station wagons.

Other foreign orders have come from Rolls-Royce, which has bought a Mandelli system for its nuclear engine plant in Miami, Florida. Mandelli has also done FMS business with

Rockwell in Italy, Caterpillar, Renault and Aerospaiale in France, Deere & Co in the US, Steyr in West Germany, and Saab in Sweden.

Perhaps the greatest satisfaction for Mandelli comes from having supplied an FMS to the legendary Ferrari luxury car company. Ferrari is partly owned by Fiat and the Fiat group has its own FMS subsidiary, Comau, which is also among the most advanced in the world.

The Italian press trumpeted Mandelli's achievement in beating Fiat for a contract to supply a Fiat subsidiary and Enzo Ferrari bestowed one of his Testarossa models on Giancarlo Mandelli as a sign of his appreciation.

Meanwhile, Mandelli repeats that for his company and others in Europe the key is "to identify strategic markets outside of your domestic base and then place people on the ground in those markets." It sounds simple enough, but in the battle for a Europe-wide market there are not yet enough Mandellis.

This article concludes this series. Previous articles appeared on October 14, 21, 29, November 2, 15, 18, 25, December 2, 7, 16, 21 and January 18.

Training

A different materials handling

New skills will be needed to deal with the developments from current technology. Charles Leadbeater reports

WHAT SKILLS will be needed to produce the elusive blue tulip?

Indirectly this is the question posed by Tim Brady, and Richard Pearson of Sussex University, in papers presented to a recent Manpower Services Commission seminar. They argue that the use of information technology will not be the only way to transform industry's skill needs in the next decade.

The development of new materials, such as fine ceramics and biotechnology - the process by which it may be possible to produce, among other things, the blue tulip - could also have far-reaching implications for companies' skill needs.

While the implications for training of information technology and microelectronics has been fairly thoroughly examined, the implications of these other technologies has been rather neglected.

But as Brady warned: "It is possible that in the next century new materials and materials based on biotechnology could be the basis of a transformation of skill needs as extensive as that now being experienced in relation to information technology."

He continued: "One could argue that one of the reasons for the failure of British industry to gain the benefits of information technology has been a lack of adequately skilled and trained manpower. It would be sad to read in 20 years'

time that a similar shortage of skilled manpower has prevented the UK from gaining the economic advantages of new materials technologies."

According to Brady, four sets of new materials are likely to have important consequences for training in the next decade: new developments in plastics, such as strong engineering plastics, adhesives, composite materials and high performance

ceramics, fine ceramics and technical ceramics. The relative neglect of the role of new materials is slightly surprising given that many developments in information technology can be traced back to the development of new materials.

The germanium transistor assisted the wider diffusion of electronics because it was more compact and used less power than thermionic valves. The development of silicon semiconductor material paved the way for the economic production of integrated circuits. Future developments in electronics are likely to come from superconducting ceramics.

Developing these new materials will not only require greater investment in research and development, Brady argued. One of the key skill shortages will be in design. Realising the full potential of new materials for the innovation of new products and processes will require completely restructured products and production processes rather

than simple substitution of new material for old.

The growing importance of biotechnology will increasingly demand interdisciplinary skills, according to Pearson. It embraces biochemistry, biology, microbiology, genetics, and bioprocess engineering, and applies to a range of industries from agriculture and environmental control to health-care and pharmaceuticals.

Most key biotechnology workers are rarely regarded as specialists until they have completed several years post-doctoral research. This means that any significant expansion of Britain's output of skilled biotechnologists will take several years to achieve, by which time the character of the industry could have changed markedly.

But, Pearson warns, on current trends there is little likelihood that the skill shortages faced by Britain's relatively small biotechnology industry will be eliminated.

The demographic downturn, combined with tight resources in higher education, and much more attractive salaries and working conditions in industry, especially abroad, means that the supply of post-doctoral biotechnologists is unlikely to meet demand.

Skills Needs For Technological Innovation, MSC Seminar Report is available from Gail Waring, MSC Skills Unit, Room W425, Moorfoot, Sheffield S1 4PQ.

Management abstracts

Protecting your pension fund from predators. P Bennett in *Accountancy (UK)*, Sept 87 (3 pages)

Looks at external financial reporting, noting that the overriding legal requirement is that accounts give a true and fair view; contends that opinions as to what is true and fair can differ sharply, particularly in the areas of bad debt provision, stock valuation, and contingent liabilities. Contrasts the approaches of the US and UK accounting

authorities - the former issues comprehensive standards on the basis of legislation for "scoundrels", the latter's standards allow more room for discretion. Believes that the optimum point lies between the two; argues that pressures on companies to manipulate financial statements are increasing.

These abstracts are condensed from the abstracting journals published by Andrew & Co. Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and postage with order) from Andrew, PO Box 25, Westbury H&B BA1.

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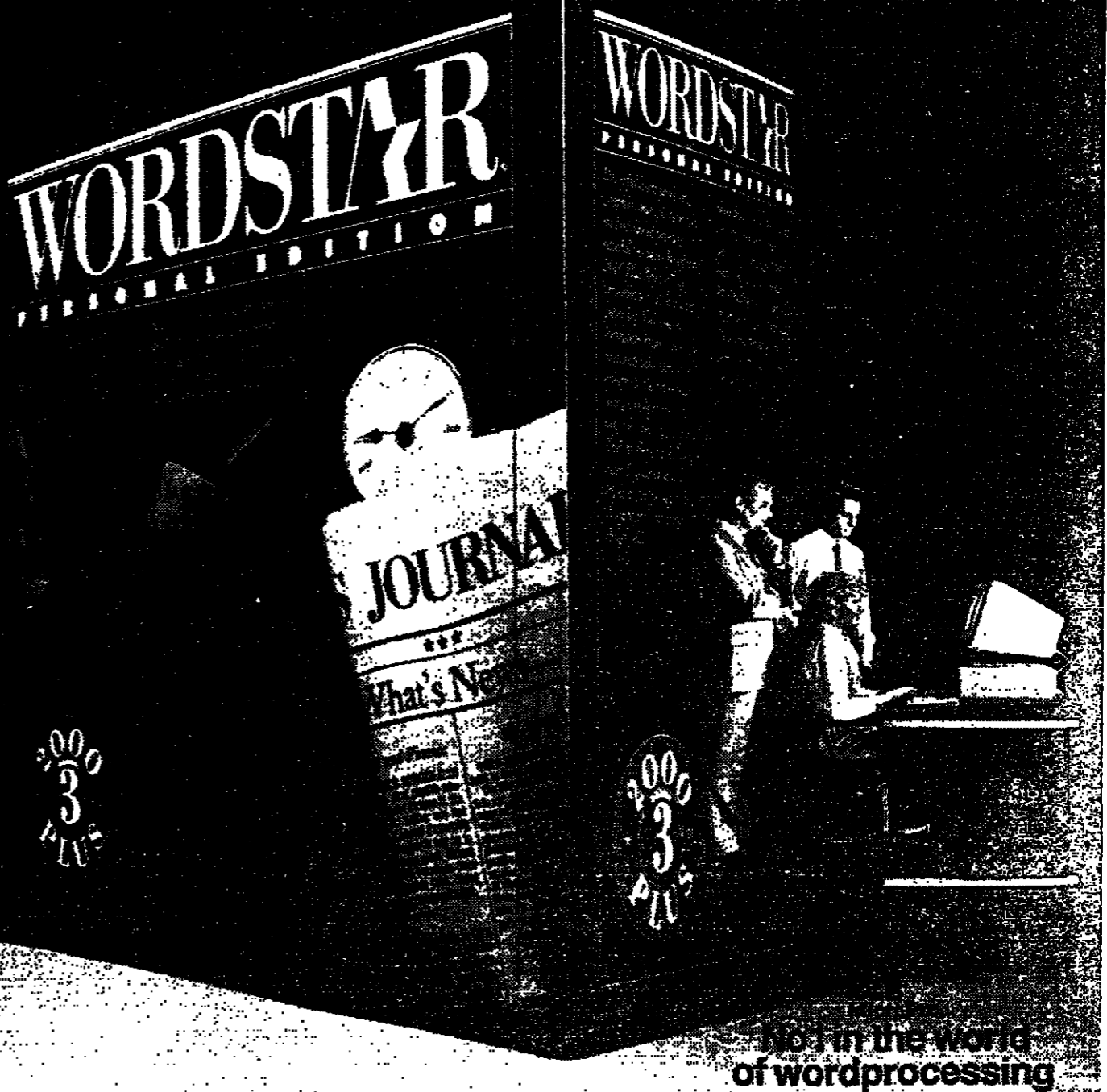
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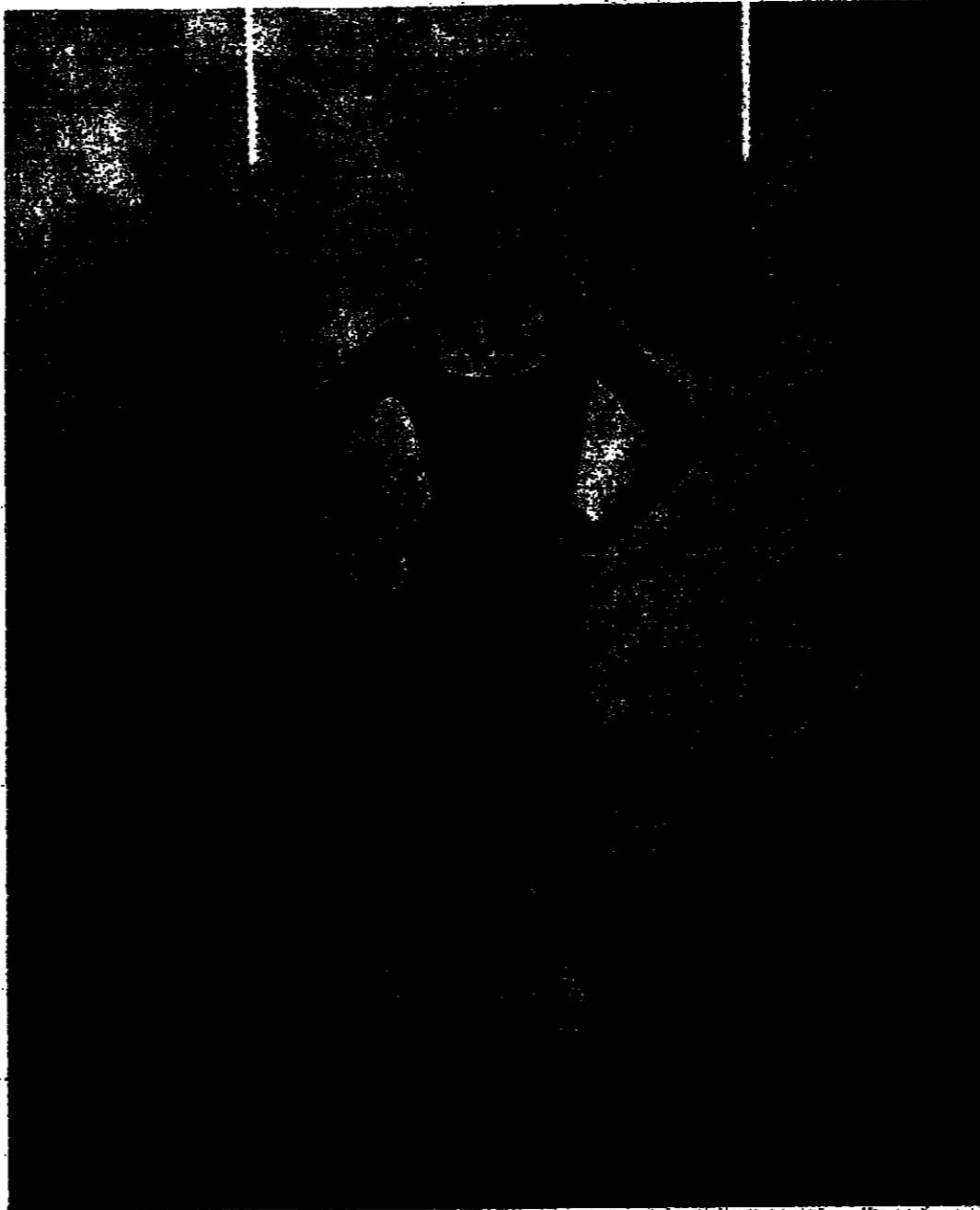
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TECHNOLOGY

Home smart home

France takes initiative on intelligent dwellings. Paul Betts reports

AFTER Informatique, Robotique, Productique, and Buro-antique a new "tique" has entered French technology jargon - Domotique.

In most other western countries, these new technologies of the home are usually grouped together under the simple heading of "home automation".

"Domotique is not just home automation. It refers to the wider concept of the intelligent home, covering the integration and interactivity of all the various aspects and services.

The idea is that, by then, increasing numbers of consumers will want to enhance the convenience, security and efficiency of their homes by merging the various appliances and equipment into an integrated network.

A study prepared for the Paris domotique conference by Mackintosh Consultants shows that the intelligent home market in the US, Japan, France, West Germany and the UK could total about \$7bn in 1990 and grow to \$12bn by 1995.

Although these forecasts must be treated with caution since domotique is still in its infancy, most professionals of the building sector as well as of the communications, home appliances, data processing and other technological services industries expect the market to start taking off in 1990.



The Paris domotique conference attracted about 600 participants from the electronic and building industries, including more than 150 from other European countries.

One key to the future development of domotique in Europe is the definition of a common European standard.

The Americans have also been increasingly active. Four years ago the US launched a project called "Smart House", while the country's electronic industries association started devising a common standard for home networks.

"It was time Europe did something," said de Latour at the opening of the Paris conference last week. APMF is at present the only independent movement in Europe seeking to mobilise companies and public opinion, but de Latour hopes to see similar associations grow in other European countries.

The club envisages spending over £2m on a three-year programme of research and testing, aimed at making commercially useful materials and magnets.

The club's research programme will also systematically test the recent Japanese discovery that nuclear radiation can greatly enhance the superconducting properties of ceramics.

Six British companies - Air Products, BICC, Dowty, Ford of Britain, Johnson Matthey and Oxford Instruments - plan to become founding members of Harwell's high-temperature superconducting consortium.

The UK Department of Trade and Industry is expected to fund 50 per cent of the programme and is also encouraging its managers to recruit more industrial partners.

Harwell - with experience of founding 27 research clubs - is wary of having too many partners and too much internal competition.

The discovery by IBM scientists in Zurich nearly two years ago of superconduction in a novel ceramic containing barium, lanthanum and copper opened a new line of thinking about superconductors.

Harwell also has a long-standing research effort on engineering ceramics, aimed at minimising the mechanical disadvantages, for example by making them less fragile by fibre reinforcement.

Harwell explores super ceramics

By DAVID FISHLICK, SCIENCE EDITOR



David Lively (left), who runs Harwell's materials engineering centre, and Ron Bullough, head of the materials science division, have mixed what they call a cocktail of scientific disciplines

It was classed as a "high-temperature" superconductor - one which lost its resistance at liquid nitrogen temperature (90 degrees K) or higher.

The type of material investigated by IBM has serious technological shortcomings. But it affords hope that other novel formulations and crystal structures might overcome them.

Harwell's materials science division has an inventory of over 600 novel ceramics previously untested for superconduction. They were developed for other applications such as gas sensors.

Harwell also has a long-standing research effort on engineering ceramics, aimed at minimising the mechanical disadvantages, for example by making them less fragile by fibre reinforcement.

The superconductivity club will be off to a fast start because its commercial director authorised £70,000 of pre-project funding.

Bullough and David Lively, who runs Harwell's materials engineering centre, have mixed what they call a cocktail of scientific disciplines, recruiting a dozen scientists from different Harwell laboratories to work half-time on the programme.

They can also muster a remarkable armoury of ceramic fabrication technology, mostly needed for nuclear fuel. It includes robotic systems for shaping complex precision parts by plasma-spraying ceramic powders and laser electron beam and sputtering techniques for preparing thin and thick films of ceramics.

The idea, says Bullough, is to progress from initial emphasis on materials science and technology to component and applications development. The main thrusts of their programme will be:

Optimise chosen routes for components specified by the partners.

Testing of materials and components, as developed.

Applications development by the partners, using parts provided by Harwell.

Theoretical studies by Harwell, to provide a base for identifying better materials.

Experimental screening of known ceramics such as ferrites, niobates and stannates.

Monitoring and assessment of research progress worldwide.

The biggest single effort in this programme will be the screening of over 300 "electrical ceramics" already formulated at Harwell for superconduction.

The technique has already been used successfully to identify the best ceramics for gas sensors.

The plan is to make cylindrical samples which can be fed into an automatic instrument that will measure electrical conductivity between room temperature and that of liquid helium.

It will also measure the Meissner (levitation) effect, characteristic of a superconductor.

Samples will also be irradiated in a Harwell reactor, to explore the recent Japanese discovery that neutron bombardment can enhance superconducting characteristics.

The discovery was reported by researchers with Osaka University, using a reactor in Kyoto.

At Oxford University, a few miles north of Harwell, the department of metallurgy and science of materials plans to use its new nanoprobe facility to pinpoint microscopic superconducting regions in the ceramics, and measure electrical properties at grain boundaries.

The Clarendon Laboratory - Oxford's physics department - will prepare samples for the nanoprobe, as well as making unique superconductor testing facilities, in magnetic fields up to 23.5 Tesla, available to the club.

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Dated: January 15, 1988

ARTS

Arts Week

F S | Su | M | Tu | W | Th | Fr | Sa | Sun

Theatre

LONDON

The Rover (Mermaid Theatre). Jeremy Irons rosters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertory with the Chernobyl nuclear reactor disaster play, Seraphim, gas. It is an urgent but clumsily crafted hospital drama which is set in a terminal radiation clinic as the first victims of the disaster are wheeled in. (236 5668/638 8891).

NEW YORK

Fences (46th Street). August Wilson hit a home-run, it won this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (231-1211).

WASHINGTON

Barbera. From New York, an exhibition of 72 paintings traces the artistic development of one of the great masters of the Spanish Golden Age. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, he used a palette of primary colours and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Barbera. From New York, an exhibition of 72 paintings traces the artistic development of one of the great masters of the Spanish Golden Age. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, he used a palette of primary colours and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

CHICAGO

Passion Play (Goodman). Peter Nichols' clever twinning of the major characters as they conduct a duplicitous affair adds a sharp edge to the view of contemporary America. (443 3800). Ends Feb 13.

TOKYO

35 Steps (Aoyama Theatre). Song and dance with the Shiki Theatre Company which specialises in musicals and which is celebrating its 35th anniversary this year. The evening features 35 extracts, one for each year, from past, present and future Shiki productions. They include excerpts from West Side Story, Phantom of the Opera. (0120-489444). Ends Feb 21.

KABUKI

Kabuki (Kabuki-za). Tokyo's main Kabuki theatre is celebrating its centenary with a year-long festival featuring perennial favourites and new works. The morning programme this month includes Kabuchinjo, where the plot revolves around a wily samurai who outwits his master's pursuers. The afternoon programme has another popular piece, Sukeroku. Both plays are the property of the Ichikawa family whose kabuki lineage dates back 250 years and features the current head of the family, Danjuro XI. There is excellent English commentary in English. (541 5131).

WEST GERMANY

Musical, Villa Stuck. Pablo Picasso exhibition (on loan from the Hannover Sprengel Museum) displays around 300 paintings, drawings, graphic art prints from the artist's complete artistic range, spanning cubism, classicism, and surrealism, as well as Picasso's later work.

CHICAGO

Art Institute. More than 80 drawings of early 19th-century architect Friedrich Weinbrenner show his influence in rebuilding Karlsruhe and Baden Baden as well as doing numerous commissions for German royalty. Ends Feb 28.

EXHIBITIONS

LONDON

Tate Gallery. Turner in the new Clore Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissonance ever since it came into the nation's hands more than 130 years ago. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

ITALY

Rome, Palazzo del Conservatori. The Imperial Silver Collection. From Kaiserzeit. An extraordinarily fine collection of silver tableware dating from 360 AD, mostly buried by two Roman generals, Marcelliano and Romulo, in the Castrum Reuracense (the site of the modern village of Kaiserlaut) on the northern perimeter of the troubled Roman Empire was threatened with barbarian invasion. 254 pieces - weighing 37 kilograms of 97 per cent pure silver, reckoned to correspond in value to one year's pay for 140 Roman soldiers. There are delicately curved, long-handled spoons, some silver beakers (glass was already more fashionable), serving dishes - one splendid octagonal, and another rectangular, decorated with a charmingly improbable fish. Ends Feb 14.

MUSIC

Stephane Grappelli at his 80th birthday concert. With a guest appearance by Sir Yehudi Menuhin. Barbican Hall (Tue). (638 8891).

PARIS

Ensemble Intercontemporain conducted by Puzos Eckros, Sharon Cooper. Contrails: Nunes, Donaioni (Mon). Théâtre du Rond-Point. (42 56 70 80).

NEW YORK

Cleveland Orchestra. Christoph von Dohnanyi conducting. Sholem Mizel violin. Nelsin, Mahler (Tue). Carnegie Hall. (247 7300).

WASHINGTON

National Symphony (Concert Hall). Soviet Protopopov conducting. Beethoven, Fauré, Sibelius (Thu). Kennedy Center. (264 3770).

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ARTS

South Pacific/Prince of Wales

Michael Coveney

I would be hard pressed to place in order of merit or preference this great musical, Madame Butterfly or Pacific Overtures. All go to prove that the Americans abroad, colonialism and poisoned romance are strong subjects for light theatre.

story to reflect national guilt about foreign bases in war-time and, especially, miscegenation. Nurse Nellie Forbush - Florence Nightingale from Little Rock - recoils from the immigrant French planter when she discovers not that he has children, but that he had them by a Polynesian. Heroism behind the enemy lines ensures a happy conclusion.

through this role. What she lacks at the moment is charm and real pizzazz as she washes that man right out of her hair. There is too much showbizzy dolliness about her performance, not enough fizz and spunk. Technically, she sings very well, although she hits a rock on "I'm in Love With a Wonderful Guy." But an actress of Miss Craven's proven ability should be able to make something more of her small town hang-ups.



James Caan, Anjelica Huston and James Earl Jones in "Gardens of Stone," and Shashi Kapoor in "Sammy and Rosie Get Laid"

Cinema/Nigel Andrews

It's the method that damns, not the matter

Sammy And Rosie Get Laid directed by Stephen Frears. Gardens Of Stone directed by Francis Coppola. A Chinese Ghost Story directed by Chin Siu Tung. The Big Heat directed by Fritz Lang.

der American audiences have been goggling at the movie in awe. Mr Khan and Miss Barber are, like Mr Kapoor, walking symbols. He is the Adaptable Immigrant, happy to milk Britain for a trendy-Bohemian life-style and to milk Dad for money. She is the Free Woman with the Gioconda smile. Like her husband, she sleeps around, she is also sphinx-like, self-assured and a social worker. Indeed she is the film's resident social conscience: the character most ready and eager to scold and confront Mr Kapoor about his past.

film's right-on radicalism is going to pack in every cause it can think of: from stunted eviction to free love to Far-East fascism. (We never discover what precise horrors Kapoor perpetrated in Pakistan as a Minister. But from the movie's viewpoint why should we? Kapoor is just there to be Our Man in today's Third World guilt empire.) Part socialist soap-box, part Swinging 60s hangover - the much-vaunted triple sex-coupling on a split screen is like Blow Up with hi-tech - the film's saddest failure is that it never comes to grips with Thatcherism at all. To knock down a target, you first have to ensure that it is set up. But Kureishi and Frears seem to have no idea what the appeal of Thatcherism to millions of Britishers is. Their target is an all-purpose, all-time bogeyman Toryism, symbolised by the late scenes of squatters being shunted from a wasteland under the Westway due for development. Like good 60s campaigners, Frears and Kureishi would love that squatters site to stay. It is romantically egalitarian, it burns with the fires of revolution and it embodies the poignant heroism of the dispossessed. If the site stayed, it would keep us all in the dear old 1960s, as the film would so dearly like: that yuppie era when we sang in our chains like the sea.

in Gardens Of Stone, set in a Washington DC military base in 1967. Francis Coppola's new film, adapted from a novel by Nicholas Proffitt, is the best movie about the Vietnam war since The Deer Hunter. And that includes Coppola's own previous, 100-piece symphony on the subject, Apocalypse Now. This film never leaves America, but the war flickers like reflected light in the eyes of Sergeant James Caan, an ex-war hero now assigned to "toy soldier" duties (his phrase) supervising military burials at Arlington National Cemetery.

It into a laboratory experiment on responses in war conducted by Dr Stanley Kubrick. The strength of Coppola's movie is that it is about credible human beings. Caan is a war-wrinkled bullet-head whose eyes and words twist in palpable pain over his country's mistakes; or would you rather have some fun? The miracle of invention was finding, four years after the truly experimental Carousel, a

Sammy And Rosie Get Laid enters our cinema the week after a well-known Sunday newspaper ran a fulsome diatribe against trends in modern British cinema. It was written by Professor Norman Stone of Oxford University. In it he voiced his strong distaste for films like The Last Of England, East The Rich and Sammy And Rosie, which tackle such sordid subjects as race riots, inner-city decay and sex.

These actors spend the movie's two hours trying to cash in Kureishi's dialogue for some flesh-and-blood character credibility. But since the dialogue is nearly all in aphorisms and speeches, it is a hopeless task: no flesh and blood bank will accept them.

There is much singing in chains

Elsewhere this week, it is curio corner at the cinema. A Chinese Ghost Story is a demoted martial arts movie from Hong Kong. Heroes and heroines fly through the air with crackling drapery: giant tongues slither through forests: corpses come to life: and the dialogue echoes such withering curses as "Damned Taoist!" The only character I sympathised with, in a plot of mounting incomprehensibility, was the one who turned away from the hero's pleas for help at one point muttering, "I'm not here. No point in helping him."

Better to sample Fritz Lang's classic 1933 thriller The Big Heat in a new 35-mm print. This is the movie which Gloria Grahame gets a cup of hot coffee thrown in her face by gangster Lee Marvin. Along with the free coffee, she gets - and so do we - Glenn Ford, a cracking script (by Sidney Bohm) and Lang's angular, atmospheric direction.

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Emile Belcourt and Gemma Craven

Company, Kid's Stuff/Donmar Warehouse

Martin Hoyle

The Donmar Warehouse, Covent Garden, is doing solo virtuosity twice nightly, or, more precisely, two one-man turns each evening. The pieces are unconnected and can, indeed should, be sampled separately, since 70 minutes of Samuel Beckett's 90 minutes of Gaelic whimsy filtered through Australian all in one sitting recall Mr Bennett's tactful verdict on his daughter's singing: "You have delighted us long enough." Quite long enough.

Beckett's Company, in Katherine Worth's adaptation, comes to WC2 with an Edinburgh Festival Fringe First to its credit. Hitherto available in the archetypal over-priced, large-printed slim volume, the novel gains little from translation to the stage. "You are on your back in the dark," are words that recur, a Leitmotif in a characteristic monologue of recollection (in the second person) and wry comment (third person), dry humour and delib-

erate, undercutting bathos. The speaker unconsciously pinpoints the writing's own tendency: "his lone arrival" he almost dares hope it is at an end; and "another trait - its repetitiousness with minor variations."

There is nothing soporific about Julie Forsyth. For an hour and a half she impersonates a carrot-haired small boy whose squat, square face resembles an animated currant bun. Kid's Stuff, which starts at 8.45, marks the British premiere of another dramatised novel. Raymond Couese's French original has been translated by Katherine Sturak, but only just. It still sounds French when not sounding American. Its fractured

infelicities ("with Marcel we are drinking lemonade very much;" "all of a sudden there is my mother who arrives") amount to a hilarious parody of atrocious translatorese.

In Ms Forsyth's Antipodean tones (she has made a speciality of the role in Australia since 1984) the effect is faintly surreal; especially when the child moves from everyday observation to fantasy. From religious and sexual puzzlement to imagining the butcher, his wife, apprentice and even shop rising to heaven on wings; from the first uncomprehending experience of bereavement to picturing his own funeral, the effect is of Poi de carotte as remade by Fellini.

Julie Forsyth in "Kid's Stuff"

POLITICS TODAY

Hearts, minds and wallets

By Joe Rogaly

THATCHERISM has started to wobble. After this week it is no longer credible for even the most ardent supporter of Mrs Margaret Thatcher's reign as Britain's Prime Minister to say that her Government has won all the arguments.

Her global reputation, as the head of an administration that has placed itself at the forefront of the Western world's march away from socialism and towards the rule of the market, is at a peak. The next year or so could see the start of a downward slide.

All that may seem like quite a turnaround only seven months after a triumphant election victory, especially during a period in which the opposition is in disarray. But consider the nature of the wobble. It is not a matter of ministers being tired; most of them are bouncing with energy. It is not a simple case of running out of ideas; there are probably too many of those about. It is, rather, that we can now perceive two distinct fissures in what has seemed to many people to be a coherent and politically unshakable philosophy.

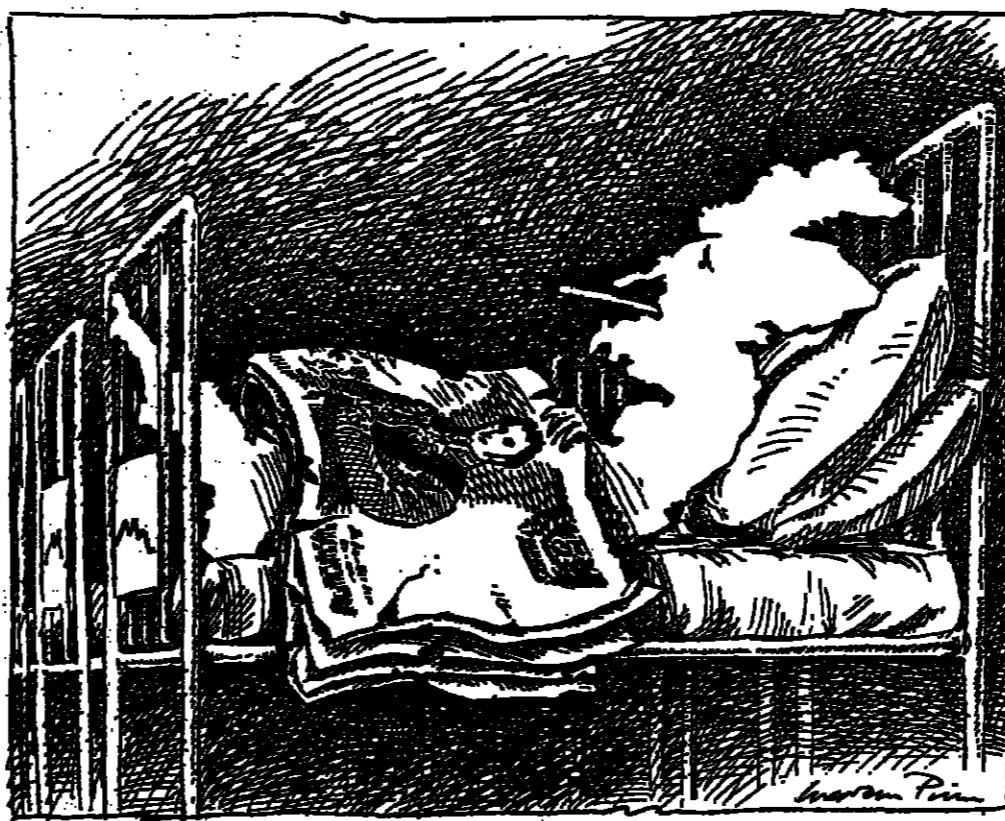
The first fissure is there because of an internal contradiction within that philosophy. A cost-controlling Thatcherism cannot hope to convince people that it is providing enough money for the NHS, and a market Thatcherism cannot do anything radical about the health services without renouncing its election promise that "the NHS is safe in our hands". The "crisis" in the National Health Service will continue for so long as that contradiction persists. The Prime Minister declines to accept this analysis. Her off-repeated view is that there are only things wrong with the NHS: its cost control and its poor management. Talk about radical change, or extra funds, is therefore dismissed

as nonsense. Such a policy is expensive in terms of responsible ministers, as the "pressing" incumbent, Mr John Moore, is painfully aware; but at least they know what is required of them. In Tuesday's debate on the NHS, the Prime Minister was not actually present in the House of Commons to work Mr Moore's mouth, but she demonstrated her mastery of ventriloquism by throwing her voice all the way from her office in Downing Street right across Parliament Square and out through his lips.

Unlike most such artifices, Mr Moore found the strength to splutter a few words of his own. His recitation of a list of West European countries that spend a far higher proportion of gross domestic product on private health care than we do revealed a deeply felt desire to expand Britain's individual health insurance sector four or five-fold, by persuading the Chancellor of the Exchequer, Mr Nigel Lawson, to offer tax rebates on the premiums. He is presumably right for so much, but the Prime Minister can do the opposite: to stand the slightest chance of political acceptance it would have to be accompanied by, say, half a billion more for the public health service. Such a squeeze play might save Mr Moore, but it is hard to see it happening in this year's Budget.

For the time being, the Prime Minister can do the opposite: to stand the slightest chance of political acceptance it would have to be accompanied by, say, half a billion more for the public health service. Such a squeeze play might save Mr Moore, but it is hard to see it happening in this year's Budget. For the time being, the Prime Minister can do the opposite: to stand the slightest chance of political acceptance it would have to be accompanied by, say, half a billion more for the public health service. Such a squeeze play might save Mr Moore, but it is hard to see it happening in this year's Budget. For the time being, the Prime Minister can do the opposite: to stand the slightest chance of political acceptance it would have to be accompanied by, say, half a billion more for the public health service. Such a squeeze play might save Mr Moore, but it is hard to see it happening in this year's Budget.

Something radical is needed to break the perceived link between the level of spending and the level of 'meanness'



the British Medical Journal in 1967.

It is no wonder that if Mr Moore had been able to make his own speech it would probably have been more like that of Mr Norman Tebbit, who asked rhetorically on Tuesday (a) whether there should be any limit on NHS spending and (b) how the money should be raised. If there were to be a limit, should it be expressed as a percentage of GDP rather than as an annually determined sum? Should it come from general taxation, or could it be hypothecated to payroll tax (as in West Germany), or to Value Added Tax? Such a change would at least make the cost of increased NHS funding crystal clear to every taxpayer. But something more radical would be required to break the public perception of a link between the level of spending and the level of "meanness" of successive governments.

The think tanks are beginning to churn out various radical solutions at an accelerating pace. But the Government is in a trap of the Prime Minister's making. It declines any further increase in spending (even though most ministers accept that the hospital service does require an immediate injection of funds), yet it also declines any public examination of new policies that would free the level of spending from Treasury scrutiny

and control. For the time being, Mrs Thatcher is plainly more afraid of the political consequences of moving away from the current structure of the health service than she is of the persistent, and growing, chorus of complaint.

The second fissure in Thatcherism is more fundamental. Britain's new model conservatives can stimulate the creation of wealth, but they are not clear about what happens next. They have made many citizens richer, (and created a fiscal surplus that will no doubt turn the US Treasury green with envy), but they have not begun to think through the optimum size of taxpayer-financed spending on social services like health, education and welfare. Thus at a time when, in the memorable words of Labour's spokesman on health, Mr Robin Cook, "the Chancellor's wallets are as ample as his presence", the Government has put forward spending plans that seem inexplicably penny-pinching.

Mr Lawson of all people should understand this well. In a thoughtful speech at the Centre for Policy Studies this week, he said: "You have to win the battles for hearts and minds as well as for wallets." He told how the post-war Labour Government under Clement Atlee had convinced people of the moral superiority of big government and

Lombard

An Edwardian tax strategy

By Michael Prowse

MR NIGEL LAWSON likes to abolish at least one tax in each Budget. His more fervent supporters are hoping that inheritance tax will get the axe on March 15. The apostles of the New Right argue that the tax, the 1986 replacement for capital transfer tax, is an appalling infringement of personal liberty. They point out that it raises little revenue and is expensive to collect. They can see no reason why a third-term Thatcher Government, with a massive parliamentary majority, should not scrap it.

The levy is certainly flawed. The very title represents a serious misuse of language. Mr Lawson is not taxing the receipt of wealth but the giving of it. He is guilty, as Winston Churchill once put it, of "trying to tax the dead instead of the living." He is also, illogically, taxing the giving of wealth only at or near death (no tax is payable on transfers effected when the giver is seven or more years away). There is no logic behind what Professor Cedric Sandford has scathingly dubbed a "lottery on length of life with the state taxing not the gambler itself, nor the winner, but the loser." Of the OECD countries that have death duties rather than proper inheritance taxes, Britain is the only one to eschew the logical counterpart of a general tax on lifetime gifts.

In addition to tampering with the structure of capital taxes, Mr Lawson and Sir Geoffrey Howe, his predecessor as Chancellor, have steadily reduced their bite. Successive Budgets have featured big rises in thresholds and large cuts in the rate of the tax. In 1987/88, inheritance taxes are expected to raise less than 2 per cent of the inland Revenue's total receipts. Apart from an ironic dip in receipts under Labour in the late 1970s (when GATT replaced the old estate duty), this compares poorly with past history; under Mr Heath the ratio was close to 5 per cent, in the late 1930s it was

around 15 per cent, shortly before the First World War it was almost 30 per cent. To recreate a situation where taxes on capital are proportionately as significant as in the Edwardian era would obviously be asking too much. Yet there are powerful arguments for moving towards heavier taxation of wealth - especially inherited wealth. Both equity and efficiency considerations point this way. As the Meade Committee argued in 1978, wealth confers benefits upon the owner and is therefore a proper subject for tax. Indeed, capital is a more natural candidate than wages because it produces an income which, unlike earning capacity, "does not decline with age and is not gained at the expense of leisure."

The disincentive effects of taxation are often exaggerated, but it is almost certain that levies on wealth (whether land, property or financial capital) produce fewer ill effects than those on earned income. This is especially so for inherited wealth. Indeed, the incentive effect here may be beneficial. All good Thatcherites would surely agree that there is nothing more likely to discourage work effort than the receipt of a large fortune at a tender age. Most people would also surely agree that the self-made man has a much better moral claim to his lavish life-style than those born wealthy; the latter, after all, have done nothing to deserve their riches.

Mr Lawson ought to take a lead from the Edwardians; in the interests of efficiency, capital taxes ought to become quantitatively much more significant. Inheritance Tax also ought to be made to live up to the Inland Revenue's total receipts. Apart from an ironic dip in receipts under Labour in the late 1970s (when GATT replaced the old estate duty), this compares poorly with past history; under Mr Heath the ratio was close to 5 per cent, in the late 1930s it was

'I predict a shambles'

From Mr Fred Carr.
 Sir, I think it is about time to lift a stick of dynamite from Lord Young and the Securities and Investments Board.
 In that none of them have much practical knowledge of the technical complexities of a stockbroker's back office, I find it surprising that they do not appear to be interested in listening to the reasoned views of technical services-directors of member firms of the stock exchange are trying to give them, via The Securities Association (SIA), about the implementation of the Financial Services Act.
 I do not believe that any stockbroker objects to most of the new regulations, but I would point out that some of those which have appeared in the final rule book (the latest version of which appeared only on January 13, and was about three times the weight of the draft published last July) could never be complied with in any circumstances.
 However, the main problem is that to expect us to construct and test highly complex new systems in the 13 weeks remaining before the Act is implemented, let alone retrain most of our staff, is either madness or evidence of the SIB's fundamental ignorance of what it is asking us to achieve.
 As for the transitional relief provided by the deferral of the implementation of both Section 62 and "client settlement money" rules: the first is a generous legal trap, and the second is worthless without deferral also of the "client free money" and "counterparty risk" rules.
 So what is the SIB going to do if, or when, on "A Day" no one

Letters to the Editor

Brady produced a useful document
From Mr Stephen J. Conroy.
 Sir, in reaction to the Brady Report ("Brady's warning to the financial community and at the White House has been less than enthusiastic, it is most likely because Mr Brady's team did not produce the watershed, landmark document that we have come to expect from such commissions. Rather, the special task force took its mission seriously and produced a very useful document.
 The securities industry has been well known over the years for its excesses, combined with a lack of managerial ability which would be appalling in any other industry. It is abundantly clear - to this reader at least - that the regulatory authorities in the United States and the United Kingdom have not grasped the implications of the technological advances of recent years, the globalisation of securities markets and Big Bang.
 If "Meltdown Monday" has achieved nothing else, perhaps it will lead now to a rationalisation of the regulatory framework within which the securities business operates. Options, futures, portfolio insurance and index arbitrage certainly have their place, but when these derivatives become the market surely it is a case of the tail wagging the dog?
 Stephen Conroy, 125 East 55th Street, New York

Industry's prosperity depends on the proper use of science
From Professor A.J. Morton.
 Sir, The new moves to direct university research along more profitable lines (January 6) may well do some good, but the Government is deceiving itself if it thinks that nothing more is needed.
 A matter of at least equal seriousness is the pernicious tendency on the part of academic authorities to rate the doing of research as more intellectually respectable than putting it to practical use. The quality of research can be rigorously assessed according to a well-understood academic system; other activities, especially those concerned with industry, are less familiar and harder to judge; they carry less weight with promotion committees which are concerned above all with academic standards.
 It is therefore natural for staff to concentrate on special-ised work with a high scientific content rather than on the broader range of activity involved in following new concepts through their industrial stages to full fruition. In engineering faculties this is most unfortunate, and insufficient attention tends to be paid to vital activities such as engineering design and the technology of industrial operations and manufacture. The brevity of our undergraduate courses makes matters worse, and when students graduate they are less well equipped than they should be to perform effectively in industry.
 Industry for its part has been slow to perceive the potential value of a degree course in many areas of activity. Until recently graduates were recruited only in small numbers, and academic institutions received little encouragement to

Dollar discussion is too alarmist

From Professor Geoffrey Wood.
 Sir, An important temporary connection between the US trade deficit and the behaviour of the dollar appears to have been neglected, with the result that the discussion has become unnecessarily alarmist.
 Some years ago, along with Stephen Carse and John Williamson, I published a study of the financing practices of British foreign trade. We reported that the dollar exports, both to and from Britain, were predominantly invoiced in the exporter's currency. There has been no comparable study for the US, but studies of individual US industries produce results consistent with our findings for the UK.
 The implication of this is that if there is a fall in a country's exchange rate, receipts from exports, when measured in foreign currency, fall - while expenditure on imports, measured in the same way, does not change.
 In other words there is an immediate adverse effect on the balance of supply and demand for the currency. A gradually declining currency produces a succession of such adverse effects, being offset only when trade volumes and prices change.
 Thus, inevitably a depreciation such as the US dollar has undergone affects favourably the net foreign currency earnings in the US only after some time. There is therefore reason to believe that we may soon see quite substantial changes in the US balance of payments figures.
 Geoffrey E. Wood, City University Business School, Frobisher Crescent, Barbican Centre, EC2

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Immanuel Kant in a petition to Empress Elizabeth of Russia, 1758.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday January 22 1988



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US COMPUTER COMPANIES CONTINUE TO POST STRONG RESULTS

Amdahl jumps sharply ahead

BY RODERICK ORAM IN NEW YORK

AMDahl. Data General and Prime have joined the ranks of US computer companies reporting sharply higher results, indicating the industry's health in the face of continuing stock market pessimism about the sector.

Weakness in high-technology stocks, particularly computer makers, has undermined the market in recent days with bouts of selling triggered by results from International Business Machines and Motorola. Big profit increases from both companies fell at the lower end

of analysts' forecasts and, in IBM's case, contained several negative factors.

In contrast, Amdahl, which has close ties with Fujitsu, the Japanese electronics group, performed somewhat better than expected. Its fourth quarter net profits from operations rose to \$49m, or 92 cents a share, from \$37.1m, or 56 cents a share, in the third quarter. The latest figure included a \$15m research and development charge. Tax credits in both years made the final net \$53m, or \$1.01, against \$29.8m, or 60 cents, a year earlier.

Full-year operating net was \$142m, or \$2.74, compared with \$39.2m, or 81 cents. Tax credits made the final net \$146m, or \$2.82, against \$41.8m, or 86 cents. Revenues rose to \$1.51bn from \$965.3m.

Data General continued its recovery from last year's heavy losses caused by an expansion unjustified by subsequent demand. It turned in a net operating profit for the first quarter ending December of \$10.8m, or 36 cents a share, against \$3.3m, or 12 cents a year earlier.

A tax credit made the latest final profit \$12.4m, or 43 cents. Revenues grew to \$342.9m from \$143.3m.

Prime, a minicomputer maker which is beginning to benefit from heavy research and development on new products, reported fourth quarter net of \$21.3m, or 44 cents a share, against \$14.2m, or 29 cents a year earlier. Revenues were \$267m against \$230.9m. Full-year net was \$64.8m, or 1.25, against \$46.9m, or 97 cents. Revenues were \$960.9m against \$860.2m.

Strong demand takes Motorola higher

BY OUR NEW YORK STAFF

BUYED BY break demand for telecommunications, communications equipment and other electronics products, Motorola has turned in sharply higher fourth-quarter and full-year profits.

The results were at the lower end of Wall Street estimates, however. Motorola's net profit for the quarter ended December almost doubled to \$102m, or 78 cents a share from \$69m or 54 cents a year earlier.

Revenues rose 14 per cent in the quarter and the year to \$1.85bn and \$6.71bn respectively, from \$1.62bn and \$6.05bn in the third quarter and year. Net profit margins on sales expanded to 5.5 per cent in the quarter from 4.8 per cent a year earlier and to 4.8 per cent in the year.

49 cents a year earlier. Full-year net was \$69m or 54 cents, against \$18m or 13 cents, or \$153.

Revenues rose 14 per cent in the quarter and the year to \$1.85bn and \$6.71bn respectively, from \$1.62bn and \$6.05bn in the third quarter and year. Net profit margins on sales expanded to 5.5 per cent in the quarter from 4.8 per cent a year earlier and to 4.8 per cent in the year.

orders for communications equipment were records while demand for other products was the highest of the year.

Sales of Motorola's semiconductor segment rose 21 per cent to \$2.19bn during the fourth quarter, up from \$1.71bn from \$81m. New orders rose 29 per cent and the order backlog grew 81 per cent.

Roche lifts Sterling Drug offer to \$4.65bn

BY JAMES BUCHAN IN NEW YORK

F. HOFFMANN-La Roche, the large Swiss pharmaceuticals group which is pursuing Sterling Drug of the US, yesterday increased its offer for the New York company for the second time in a week, to \$4.65bn or \$4.65bn.

The new offer, \$5 a share better than last Monday's bid and \$9 - or more than \$500m - above the original offer on January 5, impressed Wall Street analysts said the Swiss group should capture Sterling Drug at this level.

BankAmerica declines after special charges

BY ANATOLE KALETSKY IN NEW YORK

BANKAMERICA, the second largest US bank group, reported net profits of \$60m or 27 cents a share in the fourth quarter, 27 per cent down on the year-earlier level of \$82m or 44 cents.

The decline in profits was partly due to special charges connected with about 5,000 staff cuts and other restructurings planned for 1988. Without these and other non-recurring items, net income in the last quarter would have been \$100m.

World exposure. On Third World loans, Bank America chose to follow the accounting policies of the major New York banks, rather than the more conservative practices of its California rivals, and refrain from adding to its provisions.

The bank's reserves against these loans now stand at \$2.2bn, equivalent to 26 per cent of non-trade related exposure.

Its primary capital ratio improved to 8.37 per cent from 6.92 per cent at the end of 1986, but the ratio of equity to assets fell to 3.6 per cent from 3.9 per cent.

Bank of Boston reported a loss of \$41.4m or 21 cents a share in the fourth quarter compared with a profit of \$64.8m or 1.03 a year earlier. The loss was due to a charge of \$20m to boost the bank's Third World loss reserves.

Dart Group tries again to buy retail chain

By Our Financial Staff

DART GROUP, the US retailer controlled by the Haft family of Maryland, has launched its fourth attempt to buy a leading US retailer by offering to purchase Boston-based Stop & Shop Companies for \$30 a share in cash, or \$37.7m.

In a letter to Mr Avram J. Goldberg, chairman and chief executive of Stop & Shop, Dart said the price represented a 49 per cent premium over Stop & Shop's stock price on January 11. When Dart first notified the company of its interest.

Top Pan Am executives ousted

BY OUR NEW YORK STAFF

PAN AM, the troubled US international airline, yesterday ousted its chairman and deputy chairman in a boardroom shakeup which is likely to lead to a financial restructuring package within the next few weeks.

Yesterday's removal of Mr Edward Acker, chairman and chief executive, and Mr Martin Shogan, president and chief operating officer, was a key condition laid down by Pan Am's union leaders in return for negotiating pay concessions with the airline's board.

Mr Plaskett left American in November 1986 to become president of Continental Airlines, but fell out last July with Mr Frank Lorenzo, the abrasive chairman of Continental's parent company, Texas Air.

He is believed to be a relatively popular choice with Pan Am's unions, which now appear to hold the key to the airline's financial survival.

Mr Plaskett, flight engineers and flight attendants, were already agreed to \$110m worth of annual pay cuts for other products was the highest of the year.

The Teamsters and Transport Workers, who represent ground staff, are expected to agree to further concessions worth \$100m in exchange for shares and boardroom representation.

Towers to buy stake in Emery

By Our Financial Staff

TOWERS FINANCIAL, the US debt collection agency which recently suggested it might wish to bid for Pan Am, has turned its attention to Emery Air Freight and says it is leading a group to buy about 5 per cent of the parcel carrier.

Towers said it was part of a joint venture with senior air freight industry leaders who would present a detailed restructuring plan for Emery.

Buoyant GE advances by 19%

BY OUR NEW YORK STAFF

GENERAL ELECTRIC, the big US industrial and services group, yesterday reported a 19 per cent rise in fourth quarter net income to \$68m and expressed confidence in its business for the current year.

The group, which has been consolidating its manufacturing businesses and investing in telecommunications and financial services, said sales were \$12.03bn in the December quarter.

This was down marginally from the \$12.27bn in the 1986 fourth quarter, because of the disposal of certain businesses that came with 1985's acquisition of RCA.

Tax-related gains swelled earnings by \$700m in the quarter, but this had been more than offset by restructuring charges of \$750m, GE said.

share from the \$2.49bn and \$2.73 a share in 1986. Sales rose 12 per cent to \$39.31bn.

GE said some divisions recorded strong earnings growth, including financial services, the NBS broadcasting network, medical systems, aircraft engines and plastics.

Mr Jack Welch, chairman, said the group ended the year with cash of \$2.8bn, and a ratio of debt to capital of 25 per cent.

In recent years, the Hafta have bid unsuccessfully for Safeway, Supermarkets General and Dayton Hudson, dropping the Dayton offer after the October market crash.

Dart holds less than 5 per cent of Stop & Shop. It said it planned to combine the operations of Stop & Shop with its own New Stop & Shop unit.

It plans to raise some financing through PaineWebber, which has said it is confident it can arrange the remaining financing required to complete the transaction.

Nedlloyd defends F1 175m share plan

BY NEWM BROWN IN LONDON AND LAURA RAU IN AMSTERDAM

NEDLLOYD, the diversified Dutch shipping group, yesterday issued a lengthy defence of its plan to raise \$175m (89m) in a private placement of preference shares, and denied its strategy was aimed at preventing a hostile takeover bid.

In a six-page statement, Nedlloyd said the share issue, together with a F1 1bn write-down of marine assets, was intended solely to improve future profits potential.

The statement said the preference shares, which will be placed by four Dutch institutions, would carry a total of only 120 votes, producing "immaterial" dilution of existing shareholders' rights.

The issue, which must be approved by a shareholders' meeting on Monday, is opposed by a group of Norwegian investors who speak for about 10 per cent of the stock.

wegian businessman leading the dissident group, says he has no plans to bid for Nedlloyd, but the company regards the group's actions as unfriendly.

Mr Henk Rootiep, Nedlloyd chairman, said he was confident that the strategy would be endorsed by the shareholders' meeting.

But analysts said the statement indicated that Nedlloyd was concerned about the impact of Mr Hagen's criticisms.

GoULD takes \$115m charge in quarter

BY OUR FINANCIAL STAFF

GOULD, the Illinois-based electronics group, is to take a fourth-quarter charge of \$115m on discontinued operations and has agreed to sell its Ocean Systems torpedo unit to Westinghouse Electric for \$100m.

Net earnings from continuing operations for the 1987 fourth quarter are expected to be well above the 12 cents a share reported a year ago.

The Ocean Systems unit holds a contract to supply heavy-weight torpedoes to the US Navy through the 1990s.

GoULD also said it was negotiating to sell its antisubmarine division in Glen Burnie, Maryland, which makes advanced underwater surveillance systems.

stock market crash had depressed prices being paid for a contract to supply heavy-weight torpedoes to the US Navy through the 1990s.

Mr James McDonald, chairman, said the lower proceeds and the delayed sale of the operations had pushed up the interest expense allocated to discontinued operations.

Union Pacific edges ahead to \$139m

BY OUR NEW YORK STAFF

UNION PACIFIC, the large US railroad, energy and transport group, yesterday reported a 3 per cent rise in net income to \$139.9m or \$1.23 a share in the fourth quarter, on a small decline in revenue to \$1.63bn.

Net income from continuing operations for the year was \$560.1m or \$4.90 a share, against \$484.7m or \$4.20.

Union Pacific's earnings rose 14 per cent to \$440m. Profits at its energy operations rose by 73 per cent to \$183m.

A third-quarter credit of \$25m on the sale of a petrochemical plant raised earnings from continuing operations last year to \$682.9m or \$5.10 a share. Revenues fell from \$5.85bn to \$5.4bn.

In 1986, Union Pacific took \$945m charges to earnings to account for restructuring costs. The result for that year was a net loss of \$460.2m.

Fourth quarter railroad earnings rose by 1 per cent to \$105m.

Caterpillar rebound aided by dollar fall

BY OUR NEW YORK STAFF

CATERPILLAR, the leading US manufacturer of earth-moving equipment which has been widely identified as one of the biggest beneficiaries of the devaluation of the dollar, reported surging profits but only moderate growth in physical sales volumes.

The company also admitted to suffering from product shortages which limited sales of 21 basic models and cut into profit margins. It suggested, however, that shortages of production capacity, which have lately received attention on Wall Street, were only a marginal problem.

AMR suffers small fourth-quarter loss

BY OUR NEW YORK STAFF

AMR, parent American Airlines, dipped into a small loss in the fourth quarter because of a threatened strike, bad weather and an unrealised foreign exchange loss on yen-denominated debt.

Full-year profits were also depressed by the start-up expenses of two new US hubs and integration of AirCal, a regional airline, into its system.

The company's annual sales in 1987 increased by \$869m or 12 per cent to \$8.18bn. The increase was made up of 7 per cent growth in physical sales and a 5 per cent rise in average prices.

In the fourth quarter, revenues jumped by 26 per cent to \$2.24bn, with a 20 per cent gain in sales volumes. But Caterpillar noted that the quarterly comparison was partly distorted by low sales at the end of 1986, as dealers drew down inventories.

Full-year net profit was \$198.4m or \$3.25 a share, including a \$32.3m foreign exchange loss down from \$27.1m or \$4.63 a year earlier. The 1986 profit was boosted, however, by a \$60.3m gain from the sale of some subsidiaries.

Revenues rose to \$7.2bn from \$6.02bn. American's break-even load factor fell to 55.9 per cent a year earlier and its cost per available seat-mile for the year rose to 7.5 cents against 7.25 cents a year earlier.

January 19, 1988

Alexander & Alexander Services Inc.

has sold its wholly-owned subsidiary

Sphere Drake Insurance Group Public Limited Company

to

Sphere Drake Acquisitions (U.K.) Limited

a company formed by

Centre Capital Investors L.P.
The Dai-Tokyo Fire & Marine Insurance Co., Ltd.
Electra Investment Trust P.L.C.
John Head & Partners LP
Sphere Drake Management Partners

The undersigned assisted in the negotiations and acted as financial advisor to Alexander & Alexander Services Inc.

Salomon Brothers Inc

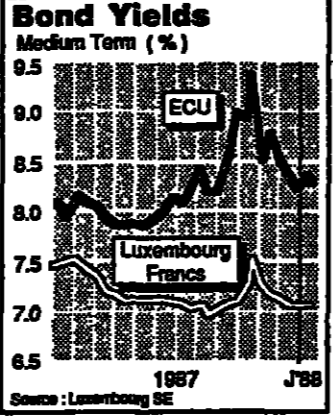
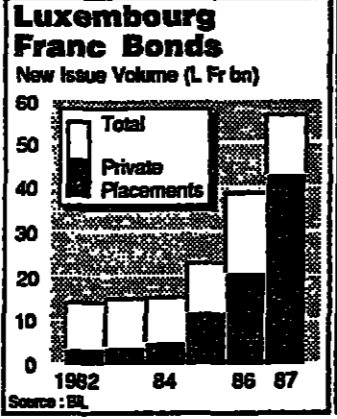
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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Clare Pearson looks at a financial centre which grew 44 per cent last year
Luxembourg steps out of the shadows

THE DOLLAR may have plummeted and world stock markets crashed, but the Luxembourg franc capital market has gone from strength to strength over the past year. Indeed, sustained by its loyal local investor base, this robust little domestic market actually grew 44 per cent in size in 1987. This year, it appears likely to be taken more seriously as a source of funds by an increasing number of prestigious international borrowers.

strong arguments for increasing their holdings of domestic bonds as the Belgian economy has improved, strengthening the two currencies, which are linked one-to-one, after years of weakness. Interest rates have come down, but still provide a nice yield pick-up over D-Mark and guilder rates. Interest coupons in Luxembourg - unlike Bel-



gium - are free of withholding tax. So Luxembourg investors have had steadily less inducement to add to their holdings of foreign currency bonds, although they do have a liking for Danish kroner bonds, since they feel sufficiently compensated in double-digit yields for the weakness of the currency.

However, executives at the banks involved say they have always quoted bids and offers, though ticket sizes represent less than 1 per cent of an issue. The only change they say, is that they are now defining the issues in which they will make a market.

age private placements, but 90 per cent of these deals are still syndicated by the half-dozen main Luxembourg banks. Bankers were slightly shaken last November, however, when ASLK/GER, a prominent Belgian savings institution, chose Den norske Creditbank to lead its private placement. The Luxembourg Monetary Institute allows only one public bond a month, and private placements have to be slipped in between the subscription periods for these deals. The market is currently entering upon a private placement phase following the early closure of the subscription for the most recent public bond for the European investment bank.

private placements to be lifted, though Luxembourg bankers say this is unlikely. said an exuberant syndicate manager yesterday: three new Eurodollar bonds, all eagerly gobbled up by investors and a strongly rallying US Treasury bond market, and turnover in excess of \$100m on one primary market desk alone. The contrast with the Euro-bond market's lethargic mood during the second half of last year, and especially after the stock market crash, could hardly have been more pointed. A resurgence of confidence in the dollar in the wake of an encouraging US trade figures, announced a week ago, means syndicate managers are back in business.

Rally in US Treasuries sparks new issue sector

IT'S JUST like the old days," said an exuberant syndicate manager yesterday: three new Eurodollar bonds, all eagerly gobbled up by investors and a strongly rallying US Treasury bond market, and turnover in excess of \$100m on one primary market desk alone.

Credit Suisse First Boston, meanwhile, achieved a blow-out success with a \$200m three-year bond for Export Development Corporation of Canada. This seemed to be exactly what Swiss investors (who are fond of Canadian borrowers and are big buyers of shorter-dated paper) were looking for.

Confidence is not yet strong enough for most investors to extend maturities very far, so shorter-dated bonds are meeting the most solid demand. Yet in longer-dated deals, mainly from trading-oriented buyers, is enough to sustain seven-year bonds for good names, so long as their yield spreads over US Treasury bonds look attractive.

however, that a large proportion of the longer bonds were pre-placed and were not expected to trade as actively as the 10-year maturity. Managers at the Euroyen market, despite slight eases in Tokyo yesterday, is not weak at present but could not be said to be meeting strong demand, given that investors' attention is apparently directed presently at dollars. The D-Mark Eurobond market saw a new batch of issues, led by Nippon Telegraph and Telephone, fresh from its warm reception in the dollar market. Its DM500m issue, led by Deutsche Bank, has a 10-year maturity, 6 1/4 per cent coupon and 100% pricing, and traded within its 2 1/2 per cent fees at 1.80 below issue price. Despite slight misgivings about the long maturity, dealers said the issue was well priced.

INTERNATIONAL BONDS

Japan Finance Corporation had in any case followed the example of Nippon Telegraph and Telephone, which brought a similarly dated deal earlier in the week, and provided a fat yield differential on its \$180m seven-year bond. Lead-manager IBI International priced the 9 1/4 per cent deal at 101 1/4 to give an 80 basis point pick-up over the Treasury yield curve. The spread tightened during the morning, but was restored later as the Eurobond sector lagged the Treasury market's gains. The bond closed around 1.40 below issue, with a 1 1/2 per cent bid.

But a combination of attractive pricing and buoyant demand can work wonders, and Exportorient's new 6 1/4 per cent deal, priced at 101 1/4, was bid within 1 1/2 per cent fees at less than 1.80, or slightly higher. The initial yield spread versus Treasuries was about 70 basis points, Merrill Lynch said. Dealers were certain that more deals were on the way. Renounced yesterday were bonds for Ford Motor Credit and a state-backed borrower, possibly French, both with indices component of 12.65. The latter was thought a 10-year issue for a sovereign or supranational borrower might emerge.

Swiss bonds gained slightly, mainly at the shorter end as the stock market's renewed weakness about currency fluctuations. The Bundesbank's decisions on monetary policy had no impact on trading. Swiss bonds gained slightly, mainly at the shorter end as the stock market's renewed weakness about currency fluctuations. The Bundesbank's decisions on monetary policy had no impact on trading.

Hungarian International Bank

AN ARTICLE published yesterday about the forfeiting market inaccurately stated that the Hungarian International Bank had recently decided to withdraw or wind down its forfeiting operations. We apologise for this inaccurate statement. Hungarian International Bank states that it intends to maintain its position as one of the leaders in the forfeiting market by expanding its operations. Mr T. Newling, managing director, said: "The bank is devoting considerable capital and personnel resources to this business under the leadership of Mr Denis Keenlyside, assistant director." In the three months ended December 31 1987 business volume in currency terms increased 16 per cent on the first quarter last year, he said.

Anglo American mines stage recovery

FOUR of the five gold mining companies managed by Anglo American recovered quickly during last year's December quarter from the three-week strike by black miners in August. Recovery at Western Deep Levels has been slow as deep underground workings suffered damage when the strike halted production. The directors expect pre-strike production levels to be resumed during the present quarter and, according to company officials, it is hoped that a non-strike agreement can be reached with the National Union of Mineworkers (NUM) in exchange for premium wages at the mine. The mines' mills were kept in operation during the strike by milling surface ore and it had been feared that depletion of

Table with 4 columns: Gold produced (kg), After-tax profit (Rm), Earnings (cents per share), and Dividend (cents per share). Rows include Elandsrand, Ergo, Freegold, SA Land, Vaal Reefs, and W.Deep Lvs.

from the September quarter's 5.08m tonnes, though the average gold recovery grade slipped to 4.93 grams/tonne (g/t) from 5.12 g/t as stoping was resumed in lower-grade areas. Vaal Reefs, the country's second largest gold mine, milled throughput to 5.68m tonnes during the December quarter, against the September quarter's 5.08m tonnes, though the average gold recovery grade slipped to 4.93 grams/tonne (g/t) from 5.12 g/t as stoping was resumed in lower-grade areas.

Rustenburg dividend boosts JCI

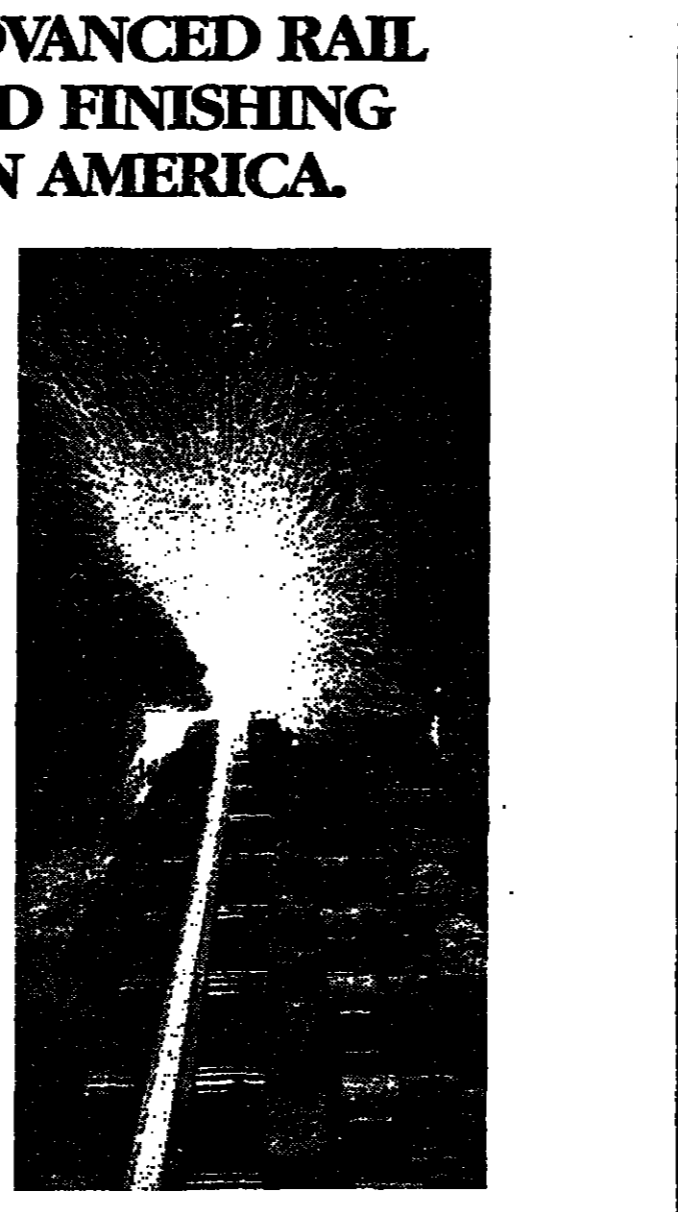
JOHANNESBURG Consolidated Investment Company (JCI), the South African mining group, lifted its interim pre-tax profit by 32 per cent in the six months to December 31 1987, largely due to a non-recurring dividend from Rustenburg Platinum. The interim pre-tax profit rose to R160.8m (\$31.2m) from R121.5m in the corresponding period of 1986. Pre-tax profit for the full financial year to June 1987 was R332.8m. First-half normal investment income increased to R31.2m, from R22.4m, despite a dividend payment by Randfontein, the larger of the two gold mines managed by the group. Rustenburg raised its normal dividend and higher income was derived from diamond and industrial interests. The directors are particularly concerned about current conditions in the export coal markets which have affected revenues of the Tavistock Collieries subsidiary. The non-recurring dividend from Rustenburg formed part of the flotation of Lebowa Platinum on the Johannesburg Stock Exchange. First-half earnings rose to R18.62 a share from R12.36 and the interim dividend has been lifted to R5 from R3. Earnings totalled R36.41 in the last financial year and a total dividend of R15 was declared. JCI is controlled by Anglo American, South Africa's largest mining and industrial group.

FT INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for Issuer, Maturity, Yield, and Price. Includes sections for US STRAIGHTS, OTHER STRAIGHTS, and FLIGHTING RATE.

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Dutch broker stops trading

VAN LOOSBROEK, a medium-sized Dutch brokerage firm, has stopped trading because of a management dispute and as a result of October's global stock market crash. Rubber Cultuur Mij. Amsterdam (RCMA), a commodities trading group, has halted its financing of Van Loosbroek, which is a partnership of RCMA and M.P. Van Loosbroek. Financing will terminate when a new partner has been found, RCMA indicated in a terse, written statement yesterday. It refused to elaborate. Mr Van Loosbroek, however, insisted yesterday that he would remain with the three year-old firm because of his role as founder, partner and director. Van Loosbroek employs six people and is located in Amsterdam.

APPOINTMENTS

Board posts at British & Commonwealth

Miss Maria Callaghan has been appointed group operations director of BRITISH & COMMONWEALTH HOLDINGS. Her responsibilities include compliance and co-ordination of all group administration. She is also group company secretary. Also joining the board as an executive director is Mr Cameron Brown, chief executive of Abaco Investments, which is being acquired by B&C.

Mr Paul Tatham, previously chairman of BECHAM PHARMACEUTICALS UK division, and currently president of the US business, becomes managing director of Becham Pharmaceuticals from April 1. He will assume responsibility for its world-wide commercial operations and will also control two new central marketing and licensing departments. Mr Ray Giles has been appointed licensing director; he has been in Japan since 1978. As head of the new department he will be responsible for developing the potential for licensing and joint marketing new products, and seeking licences from other countries. Dr John Melton will be the new director of development projects. He joined the research division in 1967, and will be responsible for setting up and operating the new system for producing new compounds to the market, and for licence submissions to health authorities.

Mr Mervyn Blakemore has been appointed non-executive director of OLIVEY (FOOTWEAR). He is managing director of Schweppes International, and a main board director of Cadbury Schweppes.

BOULTON & PAUL has appointed Mr David Chisney as managing director. Mr Bill Fox has been appointed financial director.

Mr Ben Tomalin has been appointed managing director of DUNKELMAN & SON.

Mr Neil Forster and Mr Wynne Deans have resigned from the board of BRITISH & COMMONWEALTH HOLDINGS and become consultants to the group.

PRIVATBANKEN has appointed as associate directors Mr John Mellor who joins as head of the corporate finance department, and Mr James C. Roe, who is head of the customer treasury group. Mr Mellor joins from Ernst & Whinney.

Mr Anthony Haas has been appointed an executive director of SAMUEL MONTAGU & CO. Based in New York he will be senior adviser to Samuel Montagu Inc, with primary responsibility for international mergers and acquisitions. He will also be vice president external development at General Foods. Samuel Montagu is part of Midland Montagu, investment banking and securities arm of Midland Bank group.

Mr Les Morrell, finance director of Jewson, builders' merchant subsidiary of MEYER INTERNATIONAL, has been appointed to the newly-created post of marketing director. Mr Pat Marwardine, Jewson development director, is now responsible for branch site development, in addition to acquisitions.

Former St Martins Property Corporation chief executive, Mr John Stringer, has been appointed a non-executive director by CHARLESCOTE ESTATES.

Mr Robin Swaleson is to join CLAY & PARTNERS, consulting actuaries, on February 1 as a partner to head the insurance consultancy division. He was head of group actuarial services at Legal & General.

Lord Northbourne has been appointed deputy chairman of CENTER PARCS, UK arm of Center Parcs NV, Netherlands.

EMI MUSIC WORLDWIDE has formed a new executive board. Mr Blakemore, chairman, and chief executive, Mr Peter Andry, president, international classical division, Mr Richard

Miss Maria Callaghan, group operations director, British & Commonwealth Holdings. Barkott, managing director, manufacturing & operations, Europe & International, Mr Allen Harford, chairman's office, human resources, Mr Colin Hodgson, chairman's office, finance, Mr Rupert Perry, managing director, EMI Records UK & Eire, Mr Irwin Robinson, president, EMI Music Publishing Worldwide, Mr Alan Roddick, managing director, EMI Music, continental Europe - Joe Smith, president, Capitol Industries-EMI Inc, Mr David Stockley, managing director, EMI Music International, and Mr Don Zimmerman, president, international marketing, EMI Music.

BROMSGROVE INDUSTRIES has appointed Mr John Edwards as director of marketing. He was deputy managing director of Edgar Vaughan. Mr Stephen Hayes becomes company secretary. He was financial controller at Caparo Industries.

THE WOOLLY MILL CO., Langholf, has appointed Mr John A. Packer, who has acquired control of the company, as chairman. Mr E. Beas Smith, of Scabal, also joins the board.

Powell Duffryn makes changes

Mr W.G. Andrews, group chief executive of POWELL DUFFRYN, has been appointed chairman of Powell Duffryn Shipping, which includes Cory Bros, and Stephenson Clarke Shipping. Mr P.J.W. Shuttleworth has been appointed chairman of the group's bulk liquid storage division from January 1, in succession to Mr J.E. Packer, who will concentrate wholly on the group's fuel distribution activities in the UK and France.

Mr Stephen Edwards has been appointed managing director of the travel, transport and leisure division of ALGAMA. He has also been appointed a director of Eurochemica. He was with British Airways.

Ms Shirley Hanley, Mr Robert Blood and Mr Nick Band have been appointed to the board of the QUENTIN BELL ORGANISATION as associate directors, in charge of client services, strategic planning and internal relations respectively.

Mr Philip Worthington has joined T.G. ARTHUR HARGRAVE, actuaries, as an associate partner in the Birmingham office.

GUY SALMON CAR RENTALS has appointed Mr David Barnes as financial director, and Mrs Jane Band as personnel and administration director.

ALLIED IRISH BANK GROUP has appointed Mr John P. Rockett as head of investments - British. He will have overall responsibility for Group Managers (non-trust arm) and for Group Investment Managers (discretionary portfolio management). He was banking manager in the bank's Brussels office.

Transvaal

WESTERN DEEP LEVELS

Western Deep Levels Limited. Quarterly and annual financial results for 1987 and 1986. Includes production, operating results, and financial statements.

ELANDSRAND

Elandrand Gold Mining Company Limited. Quarterly and annual financial results for 1987 and 1986. Includes production, operating results, and financial statements.

ERGO

Erst Rand Gold and Uranium Company Limited. Quarterly and annual financial results for 1987 and 1986. Includes production, operating results, and financial statements.

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited. Quarterly and annual financial results for 1987 and 1986. Includes production, operating results, and financial statements.

S.A. LAND

The South African Land & Exploration Company Limited. Quarterly and annual financial results for 1987 and 1986. Includes production, operating results, and financial statements.

SOUTHWAAL HOLDINGS LIMITED

The Afrikaner Lease Limited. Quarterly and annual financial results for 1987 and 1986. Includes production, operating results, and financial statements.

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the directors for the quarter ended December 31 1987

S.A. LAND-continued

Continuation of S.A. Land financial results. Quarterly and annual data for 1987 and 1986.

ELANDSRAND

Continuation of Elandrand financial results. Quarterly and annual data for 1987 and 1986.

ERGO

Continuation of Ergo financial results. Quarterly and annual data for 1987 and 1986.

VAAL REEFS

Continuation of Vaal Reefs financial results. Quarterly and annual data for 1987 and 1986.

SOUTHWAAL HOLDINGS LIMITED

Continuation of Southwaal Holdings financial results. Quarterly and annual data for 1987 and 1986.

THE AFRIKANER LEASE LIMITED

Continuation of Afrikaner Lease financial results. Quarterly and annual data for 1987 and 1986.

VAAL REEFS-continued

Continuation of Vaal Reefs financial results. Quarterly and annual data for 1987 and 1986.

ERGO

Continuation of Ergo financial results. Quarterly and annual data for 1987 and 1986.

VAAL REEFS

Continuation of Vaal Reefs financial results. Quarterly and annual data for 1987 and 1986.

SOUTHWAAL HOLDINGS LIMITED

Continuation of Southwaal Holdings financial results. Quarterly and annual data for 1987 and 1986.

THE AFRIKANER LEASE LIMITED

Continuation of Afrikaner Lease financial results. Quarterly and annual data for 1987 and 1986.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTES. 1. ORE RESERVES. At September 30 1987 ore reserves were estimated at a pay limit based on a gold price of R29 000 (September 30 1986: R28 000) a kilogram. Also shown at that date are ore reserves brought forward estimated at pay limits based on gold prices of R28 000 and R25 000 a kilogram to indicate the sensitivity of the ore reserves to the gold price variations.

GRANVILLE SPONSORED SECURITIES. Table listing various companies and their share prices, changes, and yields.

UK COMPANY NEWS

Birmid profits rise 73% to £23m

BY MICHAEL SMITH

Birmid Quilcast, the consumer products group fighting a hostile bid by cement company Blue Circle, launched an attack yesterday on its predator and unveiled a profits forecast for next year at the top end of City expectations. It also announced pre-tax profits for the year to last October of £22.62m, a 73 per cent increase on the previous year but in line with analysts' forecasts. It predicted next year's result would be at least £25m.

Mr Tommy Macpherson, chairman, said: "The idea put forward by a hostile predator that Birmid needs some Big Brother to finance our rapid and successful growth is absolute nonsense." With gearing at only 16 per cent, the balance sheet was strong and Birmid was in a healthy position to expand.



Tommy Macpherson: Birmid chairman

The company forecasts at least 10p for 1988. Mr Poole said the underlying 1987 earnings per share growth was more like 20 per cent than the 51 per cent reported when the pension holiday and the elimination of losses from proposed companies were taken into account.

has so far been conducted in a rather low key manner, begins in earnest. The next issue on the agenda is how much Blue Circle will raise its bid by, with the shares at 332p last night the cement company needs to increase substantially its 300p a share offer if it is to be sure of victory. Birmid is unlikely ever to repeat the pre-tax profits growth of last year. Although there is plenty to go for in the gas cookers company and in foundries, the boiler business cannot maintain its steady expansion for long. Nonetheless Birmid has sentiment on its side. It is admired for transforming itself from a founders dominated group in the mid 1970s to the broadly based consumer products company it is now. There is also considerable sympathy with its argument that it should not be allowed to lose its independence just because a quirk in market conditions makes investors and institutions hungry for cash. Blue Circle, the boiler megabusiness, its new management is determined not to lose its first contested bid. The company also has considerable cash resources, as its gearing is only about 17 per cent. In the end that could prove irresistible.

With the profits forecast now out of the way, the bid, which

BAT taken aback by Farmers rejection

By Nick Barker

BAT Industries, the multinational with extensive interests in tobacco, said that it was disappointed and surprised by California-based Farmers Group's rejection late on Wednesday of BAT's \$4.2bn (£1.4bn) proposal to buy the US company.

But Mr Henry Frigon, president of BATUS, BAT's American subsidiary, said he was urging Farmers' Group, property casualty insurer, to reconsider. BATUS was ready to "discuss all the terms of the proposal," he added.

In London, BAT's share price fell 16p to close at 419p after a bout of down-grading of stockholders' profits forecasts following a RAT analysts' meeting on Wednesday.

M & G over £23m but warns on current year

By Nikki Tait

M & G, Britain's largest unit trust group, yesterday easily surpassed City forecasts by announcing pre-tax profits of £23.22m in the year to end-September, compared with £15.5m in 1986/87. Most analysts had predicted around £20m, as the earnings per share level the figure goes up from 13.58p to 20.75p.

The year-end, however, came shortly before Black Monday. In its statement, the company warns that if markets continue to trade around present levels, M & G is unlikely to match the 1986/87 profits performance.

That said, directors yesterday were far from despondent according to chairman, Mr Andrew Caldecott. M & G made more in the first quarter of the current year than in the similar period 12 months ago, and although business volume is currently low, there have been some signs of a marginal pick-up recently. Broadly, the fund management group says

that it is too early to guess where markets will head during 1988.

"We expect this to be a year of consolidation: we will have the burden of the new regulations to deal with," commented Mr Caldecott, concluding tartly: "One doubts whether some of the systems are for the benefit of investors." As for the cost-of-funds, M & G suggested that the figure might be around £600,000 although it also expects considerable additional administrative costs which are more difficult to estimate. The company stressed that it is still opposing certain details within the new framework.

Starting 1986/87, M & G saw revenue from its unit trust activities rise by 57 per cent to £36.3m. Marketing and commission costs rose by 55 per cent to £11m, but administration expenses by only 30 per cent. Operating profit, therefore, was 56 per cent higher at £18.8m.

On the life assurance side, total premium income was some 33 per cent higher at £177m. However, "the new business strain" meant that profits from this side of the company rose only marginally to £3.15m (£3,026m). Interest and investment income slipped in a £3.4m (£2.4m).

(£5.34m), and a £478,000 extraordinary item to fund the costs of the sale of Kinnowt Benca's shareholding in late 1986, attributable profits are 50 per cent higher at £15.2m. The dividend, after a 21p cut, is set for year-end at 33 pence on 1986/87.

Yesterday, the company had little to add about its new 6.8 per cent shareholder Fund Corporation. No meeting has yet taken place but M & G says it would welcome a visit at any time.

Short-term, M & G's performance is clearly heavily dependent on market levels - and if their experience leaves them reluctant to predict, should other? That aside, 1987/88 will obviously bring some additional SIB-related costs on the basis of a 100 per cent increase in the cost of higher management charges on the UK non-income trusts (adding perhaps £750,000 in the current year and something over £5m by 1989/90). However, the new SIB framework has a long-term detrimental effect is debatable; M & G can at least hope it produces a "right to quality" in the very crude assumption, then, that requires stabilising 1987/88. However, the new business strain meant that profits from this side of the company rose only marginally to £3.15m (£3,026m). Interest and investment income slipped in a £3.4m (£2.4m).

FII-Fyffes 91% ahead and sees further growth

By Philip Coggan

FII-Fyffes, the Irish based fruit distribution company, increased its preliminary pre-tax profits by 91 per cent in the year to October 31. It has more than quintupled its profits since a turnover over the last five years.

The group was formed when the Irish group FII acquired the well-known UK banana importer Fyffes in May 1986. Since then, the company has moved from the USM to the main market.

These figures for the first time include Fyffes for a full 12 months. Pre-tax profits were £13.7m (£87.2m) on turnover of £117.7m (£1.287m) or 11.7 per cent (£11.4m) and earnings per share were 46.5 pence higher at 6.3 Irish pence (£4.3p).

There is an extraordinary credit of £920,000 which represents the gain on the sale of UK property minus full listing and other costs.

The company remains confident about its long term prospects and is looking forward to continued profits growth in the current year. The interim dividend is being increased to 0.535 Irish pence (0.76p).

Table with 5 columns: Dividend Name, Current Payment, Date of Payment, Total Payout, Total Last Year. Includes entries for Beales (John), Brixton, Colovision, etc.

Dividends shown pence per share net except where otherwise stated. *Equipment after allowing for scrip issue. †On capital increased by rights issue. ‡Unquoted stock. §Third market listing.

Colorvision beats forecast

By Andrew Hill

Colorvision, the television and video retailing group floated on the USM in June, has beaten its own forecast by 33 per cent with pro forma pre-tax profits for the year to September of £1.6m on turnover of £12.9m.

19. He predicted yesterday that future technical developments like satellite and cable TV would sustain the company even through recession. The directors are recommending a final dividend of 1.66p (0.37p) on earnings per share up from 1.62p to 7.25p.

It is difficult to find companies with which to compare Colorvision. For entrepreneurial expertise in marketing a narrow range of products you would have to look at the likes of The Rack and Stock Shop, but televisions are hardly impulse buys and Colorvision is not a trendy company, despite the success of its management enterprise scheme which gives local managers 20 per cent of the equity of each outlet. In the retailing sector Dixons is the obvious comparison, but Colorvision is as yet neither a national nor a general electrical retailer. Prospects for growth are good - three new outlets have been opened since the year-end and at least seven more are expected in the next few months, part of an already successful strategy of opening stores in prime locations. Colorvision is also building a fine reputation for good customer relations. Pre-tax profits should rise to around £2.5m or more for this year. This puts the group on a prospective p/e of around 15.

Bennett & Fountain £13m Wiggalls bid

By Nikki Tait

Bennett & Fountain, the acquisitive electrical goods retailer and wholesaler, yesterday unveiled an agreed share exchange offer worth just under £13m for Wiggalls, the loss-making Sheffield-based electrical retail group.

Wiggalls - which sold off its rental operations to Granada last May - recently reported an increased interim loss of £587,000 in the six months to end-October.

B&F itself made £271m on sales of £31.3m in the year to end-June and said yesterday that it expected the current trading period to show "further satisfactory growth".

The offer consists of 14 B&F shares for every 3 Wiggalls; seven B&F for every 2 Wiggalls convertible shares; and 2 B&F for every Wiggalls 4.2 per cent preference share. With B&F down 4p at 35p, the offer values each Wiggalls ordinary at 177p. Yesterday Wiggalls shares jumped 20p to 176p.

Dee renews attack on Barker

Dee Corporation, the grocery group currently fighting a £2bn cash and shares offer from the much-smaller Barker & Dobson, yesterday renewed its attack on the bidder's financing arrangements and queried both B&D's retailing skills and its prospective strategy.

Dee claims that B&D's plan to sell its superstore and refocus the rest of Gateway means that Gateway would have neither the competitive advantages of scale nor the advantages of being a genuine niche operator.

On the question of the B&D's financing - where Dee has alleged potential breaches of a £1.6bn loan agreement with a seven-strong banking syndicate if the offer is successful - Dee defends its own estimate of the enlarged group's net worth. B&D, however, dismissed the latest questions as containing little new and maintains that its own approach to the net worth issue is correct.

NFC National Freight Consortium p.l.c. £146,000,000 Multiple-Option Facility. Arranged by National Westminster Bank PLC. Underwritten by Barclays Bank PLC, National Westminster Bank Group, Lloyds Bank Plc, Commerzbank Aktiengesellschaft London Branch, Banco di Napoli, Citibank, N.A., Midland Bank plc, The Philadelphia National Bank, The Royal Bank of Scotland plc, TSB England & Wales plc, Westpac Banking Corporation, Credit Suisse, Additional Tender Panel Members: The Sanwa Bank, Limited, Westdeutsche Landesbank Girozentrale, Agent Bank: International Westminster Bank PLC. January 1988

Associated Newspapers Holdings p.l.c. The 1987 Annual General Meeting of Associated Newspapers Holdings p.l.c. will be held on Tuesday, 16th February 1988 at 10.30am, in the Stock Room, St. Pancras Hotel, St. Pancras Station, London E.C.4. Group Profit and Loss Account. Balance Sheet. Dividend Statement. Chairman's Report. Directors' Report. Financial Statements. Shareholder Information. Company Information. Contact Details.

UK COMPANY NEWS

Mountleigh meets City expectations with £35m

BY DAVID WALLER
MR TONY Clegg, chairman and chief executive of Mountleigh, acted to reassure investors about the buoyancy of the company's business as the property group reported a near threefold increase in pre-tax profits for the six months to end-October.

There is no evidence that the recent sharp fall in stock markets is having any significant impact on property prices, he said, and demand for commercial property remains strong. The second half of the year has started well with a significant volume of sales contracted and completed.

comment
Mountleigh's shares have been under a cloud since the summer when Mr Clegg attempted to stray from the property world with the abortive approach to Storehouse. Black Monday soured sentiment further, and in the last six months the shares have underperformed the market by nearly a quarter - a sad contrast to the previous five years when the share price was animated by compound annual growth in dividends, earnings and assets in an excess of 40 per cent. Although yesterday's figure was not enough on their own to reverse the trend, it seems odd that the market greeted Mr Clegg's confident prognosis with such indifference. Brokers marked up their profits estimates for the full year to around £82m, putting the share on a prospective multiple of 8. Hardly demanding, especially in the light of a near 30 per cent discount to estimated net assets of 285p per share.

Sumrie Clothes in equity issue as losses continue

BY PHILIP COGGAN
Sumrie Clothes, the struggling textiles company, yesterday announced a long-awaited equity issue, together with further substantial interim losses. The company is also making its first acquisition since City & Westminster Financial acquired boardroom control.

BOSSI showed a loss before tax of \$104,000 in the year to July 31, but it is forecasting pre-tax profits of \$280,000 in the current year. Sumrie may pay additional consideration dependent on future profits. Boardroom control at Sumrie changed last year when Master Financial and City & Westminster Financial acquired a 28.6 per cent stake, since increased to 28.5 per cent. Mr David Sinclair became chairman and CWF's Mr Andrew Greystone and Ms Sally Morgan became directors. Mr Michael Hepler, the former tax lawyer and his associate Mr Meir Spungin resigned from the board.

ASDA on the move

- Year on year like for like sales growth excluding inflation has been 3.3% overall, with 4.1% in food.
We will open 9 Superstores this year.
Growth in refurbished stores is very satisfactory.
Gross margins continue to improve.
Operating net margins improved from 5% in last year's first half to 5.7% in this first half.

"We've grown ASDA's profits by 30% whilst at the same time managing our very considerable investment in the future. The powerful momentum of sustained growth is only now beginning."
John Hardman
Chairman
Interim results
28 weeks to 14 November 1987
ASDA-MFI GROUP PLC
For copies of the interim statement, please write to the Group Company Secretary: ASDA-MFI Group plc, Axis House, 3 Rhodes Way, Watford WD2 4PP

Denmans recovers to £1.1m

THE RECOVERY signalled at the time of the interim statement in July resulted in Denmans Electrical, USM-quoted electrical goods wholesaler, recording taxable profits of £1.1m in the year to end-September 1987 - a 28 per cent increase. The outcome was achieved on a 15 per cent upturn in turnover from £19.26m to £22.15m.

the electrical wholesaler business. "We are confident that we can keep the business moving forward," he added. Since the year end Denmans had acquired Commercial and Industrial Holdings (Eastern) for £465,000 in shares and cash. The purchase brought four wholesale depots in East Anglia into the group bringing the countrywide total to 34. Mr Denman said the group had advanced plans for expanding the branch network further, particularly through the acquisition of well-managed, complementary companies.

After tax of £430,000 (£308,000) and extraordinary items of £3,000 (nil), earnings per share rose to 16.2p against 13.4p last time. Regarding current trading, Mr Denman said "our business in the first quarter has been buoyant and, providing the economy generally does not suffer a setback, we are confident that we shall again increase earnings per share." A final dividend of 2.65p is proposed, making 4.05p (3.85p) for the year.

Prism Leisure up 22%

Prism Leisure, which joined the USM last February, increased pre-tax profits by 22 per cent from £223,000 to £273,000 in the half year to end-September despite lower demand for its computer games software. However, sales of records, cassettes and compact discs were greater than had previously been estimated and margins continued to improve in this area, the directors said.

Turnover rose from £2.5m to £2.81m and earnings per 10p share on a weighted average basis worked out at 4.5p (4.7p). A maiden interim dividend of 1.46p is declared. The directors said that the company would continue to seek further acquisitions to expand market share.

John Beales advances to £0.8m at midterm

John Beales lifted its profit from £602,000 to £812,000 in the half year ended November 30 1987, and remains confident of further growth in the current period. Liquidity remained high with funds available for expansion, the directors said. Textile division (men's socks, underwear and outerwear) maintained margins on higher turnover, while Truda Components contributed to profit after reorganisation.

had a good half, including a first time contribution from businesses acquired in Stoke-on-Trent. Southern & Redfern, acquired since the half year, was being reorganised and unlikely to make a profit for the rest of the year. The picture should change next year. Group turnover for the six months came to £11.99m (£9.5m). Earnings were 12.7p (13.5p) and the interim dividend is raised to 1.55p (1.5p). For the year ended May 31 1987 profit was £1.5m and the final dividend 5.5p.

Wassall ahead

For the six months to July 31 1987 trading at J.W. Wassall, footwear retailer, was below target because of unseasonal weather. However, trade picked up later in the year, exceeding targets over the Christmas period. For the opening six months turnover totalled £1.42m (£1.38m) and profits £12,573 (£2,908) pre-tax. Earnings emerged at 0.68p (0.07p) per share. The directors expected the results for the full year to top 1986-87's static £50,000.

Acquisition helps lift Hill & Smith to £3.5m

Taxable profits of Hill & Smith Holdings, West Midlands-based steel stockholder and fabricator, expanded by over 70 per cent to a record £3.5m on turnover up from £29.35m to £37.04m in the 12 months to September 30 1987. Mr John Silk, chairman, attributed some 33 per cent of the increase in profits to Asset International, the tunnel lining manufacturer acquired from Armac of the US late in 1986.

This had encouraged the group in pursuing an active acquisition policy, he added. The current year had begun well, he said, with record activity in each of the group's three divisions. They took £1.27m (£696,000), leaving earnings per share of 15.41p (9.36p). A final dividend of 3.025p is proposed, making 4.376p (adjusted 3.5p) for the year. A 1 for 10 scrip issue is proposed.

Samuel Heath improves

PROFITS OF Samuel Heath & Sons, giftware and hardware manufacturer, rose from a depressed £79,000 to £236,000 pre-tax for the six months ended September 30 1987. With the exception of the US division all sections enjoyed satisfactory trading conditions. The directors said trade continued to be buoyant and that arrangements in the US had been drastically altered. They hoped that 1988-87's pre-tax profits of £549,000 would at least be equalled.

First-half earnings emerged at 4.0p (1.0p) per 10p share and a first interim dividend of 1p is being paid. The interim results the company revealed that a leasehold factory adjoining the main production plant in Birmingham had been purchased. It also said that the Birmingham area company would be moved into that area and that it was proposing to dispose of its old premises in Sutton Coldfield during 1988.

Abingworth net assets improvement

Abingworth, venture capital investment company specialising in the high technology sector, reported net asset value at 313p on December 31 1987, still up on the comparable figure of 306p despite the fall in quoted markets from October 19. In the six months to end-December the company increased pre-tax profits from £66,034 to £72,848 while total income rose nearly 70 per cent from £432,497 to £730,051. This compares with pre-tax profits of £385,000 for the year ended June 30 1987, down from £504,000 the previous year and total income of £1.26m (£1.3m). Interim earnings per 10p share doubled to 0.54p after tax of £3,990 (£21,508). However, administrative expenses increased from £267,452 to £467,803 as a result of the expansion of the management team.

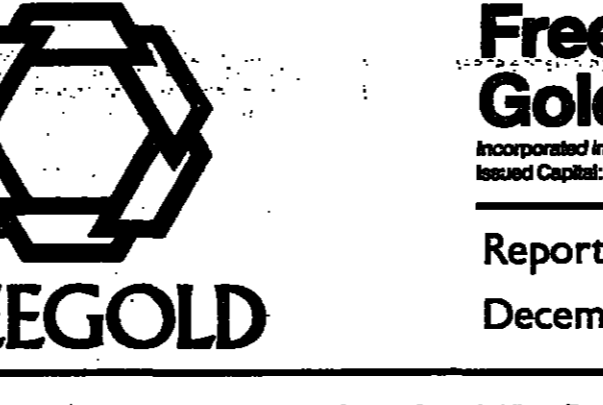
Operating profit for the six months to end-October 1987 was £669,000 (£489,000), but interest took £139,000 (nil). Tax paid totalled £186,000 (£178,000). Earnings per share were unchanged at 7.41p. Johnson Jackson was expected to achieve pre-tax profits for the year to end-December 1987 of not less than £300,000.

Half-time rise at Whinney Mackay-Lewis

Whinney Mackay-Lewis architect, yesterday reported interim pre-tax profit up 6 per cent from £489,000 to £517,000 on turnover 38 per cent up at £2.2m against £1.59m. The USM company also announced that it was to acquire Johnson Jackson & Jeff, privately-owned program management and project management consultants, for £2.07m. This consideration involves the issue of 860,000 ordinary shares in Whinney (16 per cent). These will not rank for the 1.6p interim dividend in the current year.

Derby Trust

Derby Trust reported net asset value at end-December 1987 of 289p (306p) per 10p capital share. Second interim dividend was 6.0969p (4.8689p) making a total of 10.849p (9.1183p) per 20p income share.



Free State Consolidated Gold Mines Limited

Report of the directors for the quarter ended December 31 1987

The following are the results of the company and its wholly-owned operating subsidiary, Free State Consolidated Gold Mines (Operations) Limited.

Table with columns: Quarter ended Dec 1987, Quarter ended Sep 1987, Year ended Sep 1987. Rows include OPERATING RESULTS, FINANCIAL RESULTS, OPERATING AND FINANCIAL RESULTS.

Table with columns: Quarter ended Dec 1987, Quarter ended Sep 1987, Year ended Sep 1987. Rows include OPERATING AND FINANCIAL RESULTS—continued, DEVELOPMENT—continued, SOUTH REGION, NORTH REGION, SOUTH REGION, DIVIDEND, CAPITAL EXPENDITURE COMMITMENTS.

WELKOM GOLD HOLDINGS LIMITED
Registration No. 05/24484/08
and
ORANGE FREE STATE INVESTMENTS LIMITED
Registration No. 85/05715/08
(The attention of shareholders of these companies is directed to the above report.)
London Offices: 40 Holborn Viaduct, EC1P 1AJ
The Transvaal Group's quarterly results appear on another page in this newspaper.

COMMODITIES AND AGRICULTURE

Aid agency seeks improved funding

By John Madeley

AT ITS meeting in Rome next week the International Fund for Agricultural Development... The agency set up ten years ago to get aid through to the poorer farmers that larger aid agencies were missing...

Nymex drops plan to link with IPE

By Steven Butler in London and Deborah Hargreaves in Chicago

THE NEW York Mercantile Exchange yesterday pulled out of a proposed joint venture with the London-based International Petroleum Exchange... The decision came as a surprise at a blow to the development plans of the IPE...

LME lead supply squeeze looms

By Kenneth Gooding, Mining Correspondent

TRADERS FEAR that the London Metal Exchange might be very short of lead in mid-February - the 16th and 17th seem to be the key dates... Concern about the situation drove up the cash price of lead yesterday by \$24.75 to \$394 a tonne...

Brussels and Bonn strive for compromise on farm policy

By Tim Dickson in Brussels

THE EUROPEAN Commission and the West German Government were yesterday working on options for a possible compromise package of farm policy reform... The more follows Wednesday's decision by Mr Ignaz Kiechle, the West German Farm Minister...

'Panic buying' blamed for wool surge

By Chris Stewart in Sydney

AUSTRALIA'S market indicator price for wool surged through the psychological barrier of 1,000 Australian cents a kg yesterday to beat the record set the day before... The rise drew a sharp reaction from Mr David Asimus, outgoing chairman of the Australian Wool Corporation...

Fundamentals

Briggs, analyst with Shearson Lehman Brothers, London, says that the market is not in a panic... It would not be sensible to attempt to squeeze the market when the fundamentals are going in the wrong direction...

Sugar deficit forecast at 4m tonnes

By David Blackwell

WORLD SUGAR production is set to fall 4m tonnes below demand for 1987/88, taking stocks down to the point where "from time to time there may be insufficient to meet unexpected shocks in the short term," according to C. Czarnikow...

account the severe drought which is damaging the crop in north-east Brazil... The seriousness of the situation in north-east Brazil, which produces much of the country's raw sugar exports, has only recently been appreciated...

Sugar available for export will be further affected by an expected reduction in the Philippines crop, which has been hit by drought and typhoon... On the demand side, Chinese imports seem likely to rise further this year as consumption is set to rise by 5 per cent.

New Zealand lambs go west in search for wider markets

By Bridget Bloom, recently in New Zealand

A MEDIUM-SIZED freighter tied up at Timaru wharf, in the South Island of New Zealand, last week to be loaded with a cargo of several thousand four-month-old lambs... The transaction is making history in New Zealand's attempt to broaden the market for its prime export...

and the CT & H Company of Portland, Oregon. It involves the initial shipment of 10,000 lambs, with a possible 240,000 later... The live sheep trade has been a sensitive issue, on both political and humanitarian grounds...

still have their tails on, for sacrificial killing at the time of the Haj, or Pilgrimage to Mecca... The live sheep trade has been a sensitive issue, on both political and humanitarian grounds...

Committee, composed of farmers and industry representatives, which has limited annual exports to just under 1m animals - out of total exports amounting to the equivalent of 30m sheep and lambs... The Meat Producers Board backs the live sheep trade principally because it believes that, in the words of Mr Allan Frazer, the general manager, it will raise the "profile" of New Zealand lamb in Middle East markets...

return of NZ\$15 an animal, delivered to the freezing works (slaughterhouse). The meat component accounts only for NZ\$5 to NZ\$8, the remainder being for the wool and skin... The low prices stem from stagnant demand in the country's main markets; increased production in the EC, particularly in Britain; and increased consumption of cheaper pigmeat and poultry...

But he said the longer term picture depended critically on economic growth in major markets. If there was a contraction, the corporation was well-placed to support the market through a counter-cyclical stock-holding policy... Wool promotion efforts would meanwhile remain essential to prevent an erosion of market share as high wool prices encouraged manufacturers to shift into competing fibres...

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES recovered after suffering steep falls of up to £30 a tonne in pre-market trading... COCOA 2/tonnes table with columns for Close, Previous, High/Low and dates.

SPOT MARKETS

Crude oil (per barrel FOB) table with columns for Commodity, Price, and Change. Includes items like Dubai, Brent Blend, WTI, and various gasolines.

LONDON METAL EXCHANGE

Table showing prices for Aluminium, Zinc, Lead, and Tin. Columns include Commodity, Price, and Change.

POTATOES 2/tonnes

Table showing prices for various potato grades. Columns include Commodity, Price, and Change.

SOYABEAN MEAL 2/tonnes

Table showing prices for soyabean meal. Columns include Commodity, Price, and Change.

FRUIT AND VEGETABLES

Table showing prices for various fruits and vegetables. Columns include Commodity, Price, and Change.

LONDON OILSEED MARKET

Table showing prices for oilseeds. Columns include Commodity, Price, and Change.

SOYABEAN MEAL 2/tonnes

Table showing prices for soyabean meal. Columns include Commodity, Price, and Change.

FRUIT AND VEGETABLES

Table showing prices for various fruits and vegetables. Columns include Commodity, Price, and Change.

US MARKETS

Table showing prices for various US commodities. Columns include Commodity, Price, and Change.

NEW YORK

Table showing prices for various commodities in New York. Columns include Commodity, Price, and Change.

CHICAGO

Table showing prices for various commodities in Chicago. Columns include Commodity, Price, and Change.

WHEAT 5,000 bu mtrc cents/50 bushel

Table showing prices for wheat. Columns include Commodity, Price, and Change.

SOYABEAN OIL 50,000 lbs; cents/lb

Table showing prices for soyabean oil. Columns include Commodity, Price, and Change.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lacks motivation

THERE IS one thing worse than a currency market led by speculation, that is a market drifting in the absence of speculation...

Against the yen it recovered from a low of 1126.70 to finish at 1127.15, although this was still down from Wednesday's close of 1127.75...

is 1.8905 to 1.8744. December average 1.8354. Exchange rate index 148.9 against 144.3 six months ago...

FINANCIAL FUTURES

Relaxed view of money figures

Reaction on Life was not particularly encouraging to the UK bank lending figures for December, but analysts in the City tended to take a more relaxed view of the figures...

according to official figures fell 1.1 p.c. in during the month. There was something of a cynical view in the City of the authorities' assertion that round tripping in the bill market was not a significant factor...

overheating in the economy, but there appeared to be grounds to accept other explanations for the figures. There were various distortions, including take over activity, payment of corporation tax, and favourable interest rate levels in London...

IN NEW YORK

Table with columns: Jan 21, Jan 22, Jan 23. Rows: 3 month, 6 month, 12 month.

STERLING INDEX

Table with columns: Jan 21, Jan 22, Jan 23. Rows: 1.00, 1.01, 1.02, 1.03, 1.04, 1.05.

CURRENCY RATES

Table with columns: Jan 21, Jan 22, Jan 23. Rows: Australia, Canada, Hong Kong, etc.

CURRENCY MOVEMENTS

Table with columns: Jan 21, Jan 22, Jan 23. Rows: Sterling, U.S. Dollar, etc.

OTHER CURRENCIES

Table with columns: Jan 21, Jan 22, Jan 23. Rows: Argentina, Australia, etc.

MONEY MARKETS

UK rates steady

YESTERDAY'S ANNOUNCEMENT of UK bank lending and money supply figures for December had little impact on the London money market...

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Jan 21, Jan 22, Jan 23. Rows: Belgium, France, Germany, etc.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Jan 21, Jan 22, Jan 23. Rows: 1 month, 3 month, 6 month, 12 month.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Jan 21, Jan 22, Jan 23. Rows: 1 month, 3 month, 6 month, 12 month.

EURO-CURRENCY INTEREST RATES

Table with columns: Jan 21, Jan 22, Jan 23. Rows: 3 month, 6 month, 12 month.

EXCHANGE CROSS RATES

Table with columns: Jan 21, Jan 22, Jan 23. Rows: S, DM, FF, etc.

FINANCIAL FUTURES

Table with columns: Jan 21, Jan 22, Jan 23. Rows: 3 month, 6 month, 12 month.

FINANCIAL FUTURES

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FINANCIAL FUTURES

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FT FINANCIAL TIMES CONFERENCES The London Motor Conference - Manufacturing, Components and the Aftermarket London - 15 February, 1988

Financial Times Conference Organisation 126 Jermyn Street, London SW1Y 4JH

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Mergers and Acquisitions SAMPLE FREE WITH NO OBLIGATION THE NEW MERGERS AND ACQUISITIONS - THE AUTHORITATIVE GUIDE TO M & A ACTIVITY...

Financial Times Business Information is pleased to announce that Mergers and Acquisitions - the monthly publication providing informed editorial and statistics on M & A activity - is now providing even greater depth of coverage.

Table with columns: Jan 21, Jan 22, Jan 23. Rows: 3 month, 6 month, 12 month.

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EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, Val, Last, Val, Last, Stock. Includes sub-sections for SILVER C and various stock options like ADFI, ADFI, ADFI, etc.

TOTAL VOLUME IN CONTRACTS: 28,426

BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions, including ADFI Bank, ADFI Bank, ADFI Bank, etc.

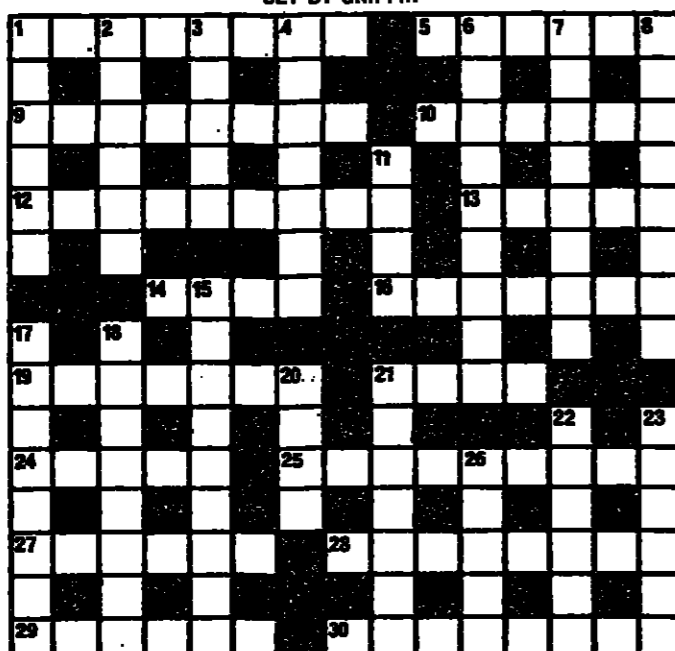
AUTHORISED UNIT TRUSTS

Large table listing various authorized unit trusts, including Abbey Unit Trust, Abbey Unit Trust, Abbey Unit Trust, etc., with columns for Name, Manager, and other details.

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FT CROSSWORD No.6,536 SET BY GRIFFIN



- ACROSS: 1 Lay opposite (8), 5 Threaten to name scruffy engineer (8), 9 Look, sweetheart, a new lead for the dog (8), etc. DOWN: 1 Risk note he can decipher (8), 2 Mistake Rose could make about car (6), etc.

FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts under the heading 'Scholarship Fund Management Ltd'. Includes columns for fund names, descriptions, and prices.

Table listing various unit trusts under the heading 'Standard Life Trust Management Ltd'. Includes columns for fund names, descriptions, and prices.

Table listing various unit trusts under the heading 'Target Trust Management Ltd'. Includes columns for fund names, descriptions, and prices.

Table listing various unit trusts under the heading 'The Yorkshire Trust Management Ltd'. Includes columns for fund names, descriptions, and prices.

Table listing various unit trusts under the heading 'Whitaker Trust Management Ltd'. Includes columns for fund names, descriptions, and prices.

Table listing various unit trusts under the heading 'Yorkshire Trust Management Ltd'. Includes columns for fund names, descriptions, and prices.

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INSURANCES

Table listing various insurance policies and providers, including details on life, health, and general insurance.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various fund categories such as 'Property Growth', 'Income', 'Equity', and 'Specialist'. Each entry includes the fund name, provider, and numerical data.

MANAGEMENT SERVICES

Table listing management services provided by various firms, including names like 'David M. Auer' and 'The Analyst Group PLC'.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas investment opportunities, including details on 'Allied International Assurance Ltd' and 'Allied Overseas Fund'.

Continuation of the main table of unit trusts, listing various funds and their details in the right-hand section of the page.

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Investment Objective, and other details.

Table of LONDON SHARE SERVICE, including sections for BRITISH FUNDS, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SEAS GOVT STERLING ISSUES, CORPORATION LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Table of Money Market Trust Funds and Money Accounts, listing various financial products and their details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies such as American Express, American International, and American Overseas, with columns for stock price, bid, and offer.

CANADIANS

Table listing Canadian companies such as Canadian National, Canadian Pacific, and Canadian Tire, with columns for stock price, bid, and offer.

BANKS, HP & LEASING

Table listing financial institutions and leasing companies such as Bank of Montreal, Bank of Toronto, and Finance Canada, with columns for stock price, bid, and offer.

BEERS, WINES & SPIRITS

Table listing beverage companies such as Carlsberg, Heineken, and Interbrew, with columns for stock price, bid, and offer.

BUILDING, TIMBER, ROADS

Table listing construction and infrastructure companies such as Bechtel, Bovis Lend Lease, and Hochtief, with columns for stock price, bid, and offer.

BUILDING, TIMBER, ROADS Contd

Continuation of Building, Timber, Roads companies, including Bechtel, Bovis Lend Lease, and Hochtief.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies such as BASF, ICI, and Shell Chemicals, with columns for stock price, bid, and offer.

DRAPERY AND STORES

Table listing retail and drapery companies such as Debenhams, Debenhams Group, and Debenhams Retail, with columns for stock price, bid, and offer.

DRAPERY AND STORES - Contd

Continuation of Drapery and Stores companies, including Debenhams and Debenhams Group.

ELECTRICALS

Table listing electrical companies such as British Telecom, British Telecommunications, and British Telecom Group, with columns for stock price, bid, and offer.

ENGINEERING - Contd

Continuation of Engineering companies, including British Telecom, British Telecommunications, and British Telecom Group.

FOOD, GROCERIES, ETC

Table listing food and grocery companies such as Asda, Asda Group, and Asda Retail, with columns for stock price, bid, and offer.

HOTELS AND CATERERS

Table listing hotel and catering companies such as Holiday Inn, Holiday Inn Group, and Holiday Inn International, with columns for stock price, bid, and offer.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscellaneous) companies, including British Telecom, British Telecommunications, and British Telecom Group.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscellaneous) companies, including British Telecom, British Telecommunications, and British Telecom Group.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscellaneous) companies, including British Telecom, British Telecommunications, and British Telecom Group.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscellaneous) companies, including British Telecom, British Telecommunications, and British Telecom Group.

INSURANCES

Table listing insurance companies such as Aviva, Aviva Group, and Aviva Insurance, with columns for stock price, bid, and offer.

LONDON SHARE SERVICE

INSURANCES - Contd

Table listing insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table listing companies in the paper, printing, and advertising sectors, such as Newsprint, Printers, and Advertising agencies.

TEXTILES - Contd

Table listing textile companies and their share prices, including various spinning and weaving firms.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land-related companies, such as investment trusts and financial institutions.

OIL AND GAS - Contd

Table listing oil and gas companies and their share prices, including exploration and production firms.

MINES - Contd

Table listing mining companies and their share prices, covering various mineral extraction sectors.

LEISURE

Table listing leisure and entertainment companies, such as hotels, resorts, and media firms.

PROPERTY

Table listing property and real estate companies, including developers and landlords.

TOBACCO

Table listing tobacco companies and their share prices.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land-related companies, similar to the section above.

OVERSEAS TRADERS

Table listing overseas trading companies and their share prices.

PLANTATIONS

Table listing plantation companies and their share prices.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies, such as manufacturers and dealers.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

SHIPPING

Table listing shipping companies and their share prices.

OIL AND GAS

Table listing oil and gas companies, similar to the section above.

MINES

Table listing mining companies, similar to the section above.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks, including companies from various countries.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies, similar to the section above.

SHOES AND LEATHER

Table listing shoes and leather goods companies.

SOUTH AFRICANS

Table listing South African companies and their share prices.

OIL AND GAS

Table listing oil and gas companies, similar to the section above.

TRADITIONAL OPTIONS

Table listing traditional options and their prices.

TEXTILES

Table listing textile companies, similar to the section above.

PROPERTY

Table listing property and real estate companies, similar to the section above.

TOBACCO

Table listing tobacco companies, similar to the section above.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land-related companies, similar to the section above.

OVERSEAS TRADERS

Table listing overseas trading companies, similar to the section above.

PLANTATIONS

Table listing plantation companies, similar to the section above.

THIRD MARKET

Table listing third market trading and their prices.

Notes and additional information regarding the share prices and market data.

LONDON STOCK EXCHANGE

Gilt-edged advance despite rise in bank lending as equities rally from weak start

Account Dealing Dates
Option
First Declared Last Account
Date Date Date Day

of unrealised capital gains on non-life funds, a point which the analysts believe the board avoided last November, when third quarter results were announced.

The stock market was marked down heavily before the formal opening, as traders backed away from Wall Street's rally...

By the end of the session, gains ranged to around 1/2% at the long end of the range, where the Treasury 90 was up 1/2% at 91 1/2 as fears of an imminent rise in base rates receded.

There was an equally rapid recovery when market analysts claimed that the bank lending figure had been distorted by "round tripping"...

Once again, index-linked issues were dragged higher by the conventional market. As mid-session, gains ranged to a full point but prices topped off before the close...

The easier trend in the dollar hurt the international stocks and was particularly unfortunate for BAT Industries...

But Britoil shares sagged badly to close 13 off at 460 1/2 with 4.2m shares traded - after a rather disparaging press

FINANCIAL TIMES STOCK INDICES
Table with columns for Government Sec, Fixed Interest, Ordinary V, Gold Mines, Div. Dividend, Earnings Yld, P/E Ratio, SEAD, Equity Turnover, Equity Shares, Shares Traded.

Opening 1399.1 10 a.m. 1403.3 11 a.m. 1402.3 12 p.m. 1398.4 1 p.m. 1402.4 2 p.m. 1406.0 3 p.m. 1406.2 4 p.m. 1402.5

Day's High 1409.4 Day's Low 1392.6

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0896 123001

response to the independent valuation of Britoil's assets. But there were rumours in the market that Atlantic Richfield is about to launch a \$20p a share counter to BP's 460p a share cash bid.

unwelcome 300p a share cash offer, disclosed a rise in pre-tax profits from £13.08m to £22.6m for last year and forecast profits above £28m pre-tax and a dividend of at least 10p for 1988.

"down-under" buying interest. Barclays eased 3 to 490p although there remained persistent speculation that the bank is about to launch a bid for America's Irving Bank.

in a volume of some 3.1m shares to close 1/2 lower at 510 1/2 as currency influences continued to undermine sentiment.

Dixons attracted another substantial turnover - around 5.6m shares changed hands - and the share price advanced from an initially depressed 188p to close a net 6 higher at 196p.

Cable & Wireless remained under a cloud and lost 11 more to 344p. STC dipped 6 to 229p and remained 3 to 66p.

Among the Engineers, Hill and Smith responded to the good results and the encouraging statement on the outlook with a rise of 11 at 1709p.

The major international stocks ended the session with small losses after a day of fluctuating fortunes. Final quotations were usually above the lowest but the closing tone was uncertain as Wall Street continued to slide in the early dealings yesterday.

English China Clays reacted 13 to 394p in the wake of a County NatWest sell recommendation. Gestetner, which announced annual pre-tax profits of £22.7m compared with forecasts ranging from £10m to £24m, advanced to 189p.

Investors continued to shy away from Lucas Industries and with marketwide reluctance still to increase their book levels the shares reacted 14 more to 579p.

Clarke Hooper, the sales promotion company, attracted buying inquiries on analysts' recommendations inspired by the strong bounce in mid-term profits.

occasional buying interest leaving Land Securities 5 to the good at 45p and MEPC a similar amount better at 44 1/2p.

A favourable assessment of current trading prospects, backed up by last year's impressive performance, encouraged increased demand for Baxley Textiles, which reported 23 further to 363p.

Fund management groups turned down following a cautious reading of the statement accompanying the annual results of market leader M & G.

M & G, in which Australian entrepreneur Alan Bond recently bought a stake, eased only marginally to close 4 off at 275p.

Smith New Court, the independent securities house, weakened before and after the announcement concerning a loss of £1.25m incurred in traded options dealings.

Turnover in traded options contracted with 16,787 calls and 8,515 puts giving an aggregate of 25,302 contracts.

Traditional Options
First dealings Jan 18
Last declarations Jan 29
Last settlements May 31

FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for EQUITY GROUPS & SUB-SECTIONS, Thursday January 21 1988, Index No., Day's Change, Est. Earnings Yield, Gross Yield, Est. Dividend Yield, Dividend Yield, Index No., Index No., Index No., Index No., Year on 1987 (approx).

FIXED INTEREST

Table with columns for PRICE INDICES, British Government, 5 years, 10 years, 15 years, 20 years, 25 years, All stocks, Index No., Day's Change, Est. Earnings Yield, Gross Yield, Est. Dividend Yield, Dividend Yield, Index No., Index No., Index No., Index No., Year on 1987 (approx).

LONDON TRADED OPTIONS

Table with columns for CALLS, PUTS, Option, Index No., Day's Change, Est. Earnings Yield, Gross Yield, Est. Dividend Yield, Dividend Yield, Index No., Index No., Index No., Index No., Year on 1987 (approx).

NEW HIGHS AND LOWS FOR 1987/88

Table with columns for NEW HIGHS, NEW LOWS, Option, Index No., Day's Change, Est. Earnings Yield, Gross Yield, Est. Dividend Yield, Dividend Yield, Index No., Index No., Index No., Index No., Year on 1987 (approx).

TRADING VOLUME IN MAJOR STOCKS

Table with columns for Stock, Volume, Value, Stock, Volume, Value, Stock, Volume, Value.

RISES AND FALLS YESTERDAY

Table with columns for British Funds, Corporate, Domestic and Foreign Bonds, Industrial, Financial and Property, Oil, Plantations, Others, Rise, Fall, Same.

LONDON RECENT ISSUES

Table with columns for Issue, Price, Amount, Issue, Price, Amount, Issue, Price, Amount, Issue, Price, Amount.

FIXED INTEREST STOCKS

Table with columns for Issue, Price, Amount, Issue, Price, Amount, Issue, Price, Amount, Issue, Price, Amount.

* Flat yield, High and low record, base data, returns and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, by post 30p.

WORLD STOCK MARKETS

Table of World Stock Markets including sections for Australia, Canada, Germany, Hong Kong, Japan, Korea, Singapore, South Africa, Switzerland, Taiwan, Thailand, and the UK. Each section lists various stocks with their prices and changes.

Table of Canada Stock Markets, including Toronto and Montreal. It lists numerous Canadian stocks with their closing prices and percentage changes.

Table of Japan Stock Markets, listing various Japanese stocks and their market performance.

Table of Over-the-Counter Nasdaq national market closing prices, listing various OTC stocks and their prices.

Table of Indices, including the Dow Jones Industrial Average and other regional indices like the Nikkei and Hang Seng.

Advertisement for Helsinki & Esposoo, featuring the headline 'Have your F.T. hand delivered...' and contact information for their London office.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized into columns with headers like '12 Month High', 'Low', 'Open', 'Close', 'Change', 'Volume', 'Bid', 'Ask', 'Last Sale', 'Settlement', 'Dividend', 'Yield', 'P/E Ratio', 'Market Cap', 'Sector', 'Industry', 'Company Name', 'Symbol', 'Exchange', 'Currency', 'Unit', 'Volume', 'Bid', 'Ask', 'Last Sale', 'Settlement', 'Dividend', 'Yield', 'P/E Ratio', 'Market Cap', 'Sector', 'Industry', 'Company Name', 'Symbol', 'Exchange', 'Currency', 'Unit'.

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, P, % Chg, High, Low, Last, and Day. Includes sub-sections like 'Continued from Page 38' and 'Over-the-Counter'.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, P, % Chg, High, Low, Last, and Day. Includes sub-sections like 'Continued from Page 38' and 'Over-the-Counter'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter Nasdaq national market closing prices. Columns include Stock, Sales, High, Low, Last, and Day. Includes sub-sections like 'Continued from Page 38' and 'Over-the-Counter'.

Advertisement for MILANO (02) 6887041. Text: 'Have your F.T. hand delivered. ... at no extra charge, if you work in the business centre of MILANO (02) 6887041. And ask Intercontinental S.r.l. for details.'

AMERICA

Dow fluctuates but fails to recover lost ground

Wall Street
EQUITIES fluctuated yesterday but by the close the market was little changed and had failed to recover any of the ground lost in Wednesday's 57 point slump...

Bank of Japan will no longer limit itself to investing in short-term US government paper but will invest in long-dated paper as well...

when the market rallied strongly because of the rising dollar, equities have been drifting lower but there had been little institutional activity...

London

A late burst of optimism rescued London equities from an otherwise poor session overhauled by disappointing money-supply and bank-lending figures...

EUROPE

Institutional buying lends support

EUROPEAN institutional investors were in evidence yesterday, moving to buy and thereby restrict fall-out after Wednesday's steep decline on Wall Street...

Portugal to limit price fluctuation

SHARES on Portugal's stock exchanges are to be limited to price fluctuations of no more than 15 per cent a day from February 15, Reuter reports from Lisbon...

ASIA

Nikkei falls again as despondency sets in

Tokyo
THE LATE slump on Wall Street and the yen's advance against the dollar further discouraged investors in Tokyo yesterday...

Heavy Industries lost Y18 to Y600 and Kawasaki Steel shed Y5 to Y232. However, Tokyo Electric Power and Tokyo Gas both benefited from the yen's appreciation...

Ono Pharmaceutical shot up Y200 to Y6,250 and Toyo Limestone scored a maximum allowable daily gain of Y109 to Y1,020...

Bond prices opened higher after the yen's early advance. Expectations of a further reduction in short-term interest rates also helped push up prices...

Elders' 18 per cent stake in BHP will be transferred to a company owned jointly by BHP and Elders.

South Africa

SPORADIC late bargain hunting helped lift Johannesburg gold shares off early lows after a weak start on the higher financial rand...

against the easier trend with a R2.50 gain to R251.50. Other mining shares followed the downturn in golds. Mining financials also softened...

DECLINES by major share groups, led by golds, dragged the market broadly lower. Toronto stocks recovered some ground but posted a loss at the close...

Canada

DECLINES by major share groups, led by golds, dragged the market broadly lower. Toronto stocks recovered some ground but posted a loss at the close...

High technology stocks fell over a broad front as buying tapered off in tandem with the ascent of the yen. Hitachi lost Y30 to Y1,230, while NEC and Matsushita Electric Industrial dropped Y70 each to Y2,000...

Industrial issues finished narrowly lower with heavyweight stocks hardest hit. BHP, Australia's largest listed stock, fell 20 cents to A\$6.50...

TRACKING declines in New York, Tokyo and Hong Kong, share prices in Singapore slipped lower, despite scattered bargain-hunting. Blue chips, however, came under profit-taking pressure after recent gains...

SINGAPORE
TRACKING declines in New York, Tokyo and Hong Kong, share prices in Singapore slipped lower, despite scattered bargain-hunting. Blue chips, however, came under profit-taking pressure after recent gains...

The weight of bad debts is depressing New Zealand shares, writes Dai Hayward

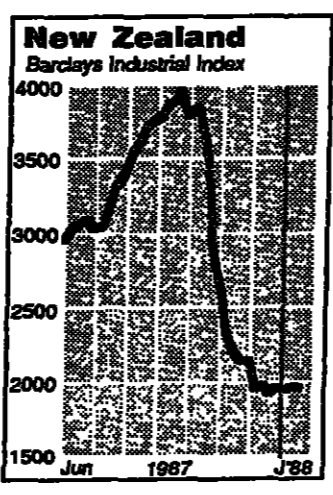
Wellington brokers feel squeeze

FOLLOWING the default of four New Zealand stockbrokers since Christmas, the Wellington Stock Exchange is moving to tighten its rules. Brokers too are tightening credit controls...

Confidence in the Wellington market has also been shaken recently by the revelations of hidden and interlocking share deals. This in turn has aggravated the New Zealand market's continuing slide...

Working through several brokers in early October these brokers bought on credit several million Omnicorp shares at around NZ\$1.60 each. They intended to recommend the share strongly in the tip sheet...

Several brokers were left with huge debts as a result. One of those involved in this scheme has hurriedly left for Australia, leaving behind more than NZ\$1m. The fraud squad, however, decided no criminal offence had actually been committed...



FT - ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, THURSDAY JANUARY 21 1988, WEDNESDAY JANUARY 20 1988, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. SA, World Ex. Japan, World Index.

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